EUROPE'S BUSINESS NEWSPAPER
# FINANCIAL TIMES
FT No. 31,650
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Monday January 6 1992
D 8523A

**Algeria**
Government starts to play for time
Page 3

World News

## Key Serbian enclave rejects UN troops plan

The Yugoslav army and Croatian forces held to a ceasefire but Serb leaders of the key enclave of Krajina rejected deployment of UN troops on its territory, saying they could be stationed only on its borders. Page 2

**Mideast talks at risk**
Middle East peace talks due to resume in Washington tomorrow are in jeopardy as Arab participants debate how to respond to Israel's decision to deport 12 Palestinian activists. Their attendance could hinge on the outcome of a United Nations Security Council session today. Page 12

**Mauroy expected to go**
Pierre Mauroy is expected to resign as head of the French Socialist party this week, heralding a reshuffle of senior figures in an attempt to revive the party's re-election prospects. Page 12

**Polish cabinet crisis**
Poland's new centre-right government, formed just before Christmas, is already looking fragile. Prime minister Jan Olszewski hinted he will resign if union strike threats are carried out. Page 2

**Hyundai man's challenge**
The founder of Hyundai, the leading South Korean industrial group, is to retire from business and form a new political party to oppose the government. The decision will widen a rift in relations between government and the big conglomerates. Page 12

**Somalia peace failure**
UN efforts to bring peace and humanitarian assistance to war-ravaged Somalia face failure after a special envoy was unable to obtain agreement on either a ceasefire or relief efforts. Page 4

**French leaving Chad**
France is to withdraw its troops from Chad now that government forces have crushed a rebellion by troops loyal to deposed president Hissene Habré. Page 3

**Colombian murders**
A teenager accused of assassinating a Colombian presidential candidate two years ago was murdered with his father in the drug capital of Medellin. He had just been released from a rehabilitation centre.

**Angola asked to explain**
Britain is seeking an explanation from Angola about the murder of four of its citizens, three men and a woman, in an ambush near a camp holding former rebels in the south of the country. Page 4

**Police chief killed**
Two suspected Mafia gunmen killed a police chief superintendent and his wife in a hail of bullets in the small Calabrian town of Lamezia Terme.

**Jail escape foiled**
Prisoners who blasted their way out of Nice jail with dynamite were recaptured almost immediately.

### A NEW AGENDA FOR EDUCATION

**"The priority now is to stop making endless policy on the hoof, and find a way of establishing a firm consensus which can take the UK into the 21st century . . . it is not coincidental that the most successful parts of the system are those in which Whitehall and Westminster have interfered least."**

**The FT today starts a special series of four editorials on primary, secondary and tertiary education with a call for a radical overhaul of how education policy is decided.** Page 10

Business Summary

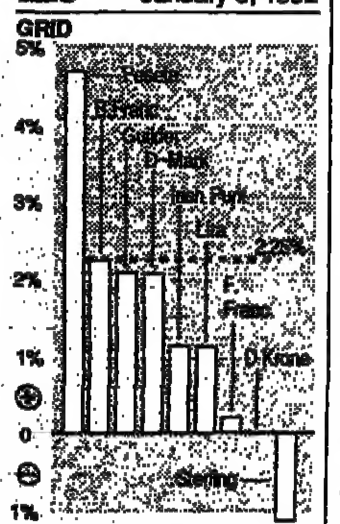
## Moscow bank bolstered by injection of new funds

Moscow Narodny bank has satisfied the Bank of England that it has adequate capital, following the injection of new funds from Vnesheconombank, the former Soviet trade bank.

The new funds have prevented the possible closure of MNB, which has been threatened by the mounting economic crisis in the former Soviet Union. Vnesheconombank has transferred £70m ($127.4m) to Moscow Narodny. Page 13

EUROPEAN Monetary System: The tensions for so long assailing the grid were alleviated by the end of the week, largely due to the weakening D-Mark. Nevertheless, sterling remained firmly anchored to the bottom of the grid and the peseta continued to lead. The peseta's strength against the D-Mark helped to push it up against its ceiling within the EMS, prompting talk of intervention from the Bank of Spain. Currencies, Page 25

**EMS** January 3, 1992




*The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.*

PETROGAL, Portuguese oil group and the country's largest company, is to be 90 per cent privatised with the sale of an initial 51 per cent stake this year. Page 15

FRANCE: The battle over the sanctity of Sunday in France took a new turn at the weekend when Virgin, London-based leisure group, succumbed to political pressure by deciding not to open its French stores illegally yesterday. Page 3

FINANTIA-Sociedade de Investimentos, Portuguese merchant banking and investment company, has won control of Sofinloc-Sociedade Financeira de Locacao, the country's leading leasing company, following a sharp takeover battle on the Lisbon and Oporto stock exchanges. Page 15

WEYERHAEUSER, US forest products group based in Washington state, is planning to take year-end special charges totalling around $344m which will push it into an annual and quarterly loss. Page 15

TURNOVER on the Shanghai securities market, the main experiment by the People's Republic of China with capitalist-style reforms, hit Yn11bn ($2.02bn) in 1991 – about three times the total for the previous five years combined. Page 15

DAEWOO: The chairman of the leading South Korean conglomerate, Mr Kim Woo-joong, will visit North Korea this month to propose joint venture hotel and electronic telephone projects. Page 4

# Bush seeks more big cuts in US defence spending

By Lionel Barber in Washington

PRESIDENT George Bush is seeking further big cuts in US defence spending to pay for "middle class" tax cuts and other measures to revive the economy and bolster his campaign for re-election this year.

The "peace dividend" – to be combined with changes in the budget deficit reduction agreement – is likely to be the centrepiece of Mr Bush's State of the Union address to Congress later this month.

Mr Bush is also studying proposals for tax credits to help Americans buy health insurance, a $2,000 (£1,098) tax credit for first-time home buyers and tax relief for US companies investing in plant and equipment.

The president has faced sharp criticism from Democrats and members of his own Republican party for neglecting domestic issues and failing to produce a growth package to restore public confidence in the economy.

Mr Samuel Skinner, White House chief of staff, said in a television interview yesterday that the president had ordered the Pentagon to try to find cuts beyond the 25 per cent reduction in forces planned by 1995.

Mr Skinner suggested that further defence savings were likely because the Pentagon's five-year budget was based on assumptions made before the collapse of the former Soviet Union. "The threat [to the US] has changed," he said.

The defence cuts, which could save up to $50bn, would be made gradually, starting next year with heavier reductions at the end of the five-year cycle, a senior US official said last month.

Major weapons systems such as the B-2 Stealth bomber, the Seawolf attack submarine and the number of active US army divisions, tactical fighter wings and aircraft carrier groups face the axe.

These defence cuts would be combined with a request to Congress to modify the 1990 budget deficit reduction agreement which sets spending ceilings for defence, foreign aid and domestic categories.

Mr Bush would ask Congress to allow funds to be shifted from defence to domestic initiatives, with some money going to deficit reduction. But the president would insist on maintaining existing caps on total spending, Mr Skinner said.

A growing number of influential Democrats and Republicans favour making the budget agreement more flexible. But it is unclear what price the Democratic majority in Congress will demand for allowing Mr Bush to reopen the budget agreement.

At the very least, Democrats are likely to seek to increase domestic spending beyond what Mr Bush envisages and to press for higher taxes on the wealthy.

One White House counter-option is to introduce means testing for health care benefits, making affluent Americans pay more for federal entitlements, such as the government-funded Medicare programme.

The New York Times reported yesterday that Americans earning more than $125,000 a year could find their Medicare premiums tripled, while other government programmes such as farm price supports for the wealthy could be trimmed.

Mr Skinner said no final decisions had been made on the contents of the State of the Union address. One certainty was that Mr Bush would avoid actions which risked disrupting the financial markets and lead to a rise in interest rates which could hurt the US economy.

Bush faces tough finale on Asian tour, Page 4

# Prospects for US retailers hit by poor December sales

By Martin Dickson in New York

FOURTH-QUARTER earnings prospects for US retailers have been hit by figures showing disappointing sales for many chains in December, including the critically important pre-Christmas period.

The figures provide further evidence that US consumer confidence remains depressed and is unlikely to provide an engine for recovery from national recession in the immediate future.

Shares in many retailing companies dipped on Friday following the release of the figures, moving contrary to a rise on the day of almost 30 points in the Dow Jones Industrial Average.

An index of year-on-year sales at leading retailers, compiled by brokers Alex Brown & Sons, gained just 1.8 for the month, against expectations of 3 per cent, and on an inflation-adjusted basis fell 1 per cent.

However, the misery was not equally shared. The Gap, a fast-growing clothing chain, produced a 14 per cent year-on-year increase in sales on a "same-store" basis – that is, sales from stores which have been open for more than a year. Including new stores, sales jumped 30 per cent to $2.34bn.

Wal-Mart Stores, a rapidly expanding southern cut-price chain, saw a 26 per cent rise in overall sales to $5.86bn, though this was trimmed to 5 per cent on a same-store basis.

But traditional department store chains fared less well. Sears, Roebuck – the largest US retailing group – saw a 1.8 per cent drop in same-store sales, while overall sales fell 2 per cent to $3.81bn.

J.C. Penney produced a 0.1 per cent increase in same-store sales and a 1.4 per cent rise in overall sales, to $2.44bn.

Analysts said weak sales, combined with strong price-cutting over the past month to attract Christmas trade, would probably mean lower fourth-quarter profits for several large retailing groups.

The poor retailing climate, which is expected to continue well into this year, will also increase the threat of bankruptcy hanging over some large and many small chains.

Last Friday saw Seaman Furniture, the largest furniture retailer in the north-eastern US, file for Chapter 11 bankruptcy protection by the courts, blaming a "severe and prolonged recession" in its markets. The north-east has been particularly hard hit by recession.

Seaman was the subject of 1988 leveraged buy-out by Kohlberg, Kravis & Roberts (KKR), the biggest of the US buy-out investment groups which emerged in the 1980s, and had to undergo a financial reconstruction the following year because of debt repayment difficulties.

Ratner returns to UK, Page 13

# Battle for Black Sea fleet threatens commonwealth

By Leyla Boulton in Moscow

RUSSIA has stepped up its battle with Ukraine over control of the Black Sea fleet, with a warning that any unilateral takeover of Soviet armed forces could kill the fledgling Commonwealth of Independent States.

A group of 15 prominent Russian deputies warned at the weekend that Ukrainian plans to make Soviet military personnel swear allegiance to the Ukrainian state and to raise the Ukrainian flag over the Black Sea fleet violated agreements establishing the commonwealth and created "a dangerously explosive situation".

Ukraine's introduction on Friday of the oath of allegiance confronted many officers in Ukraine with a harsh choice: to take the oath, or leave the republic, giving up housing and better food supplies than are available elsewhere.

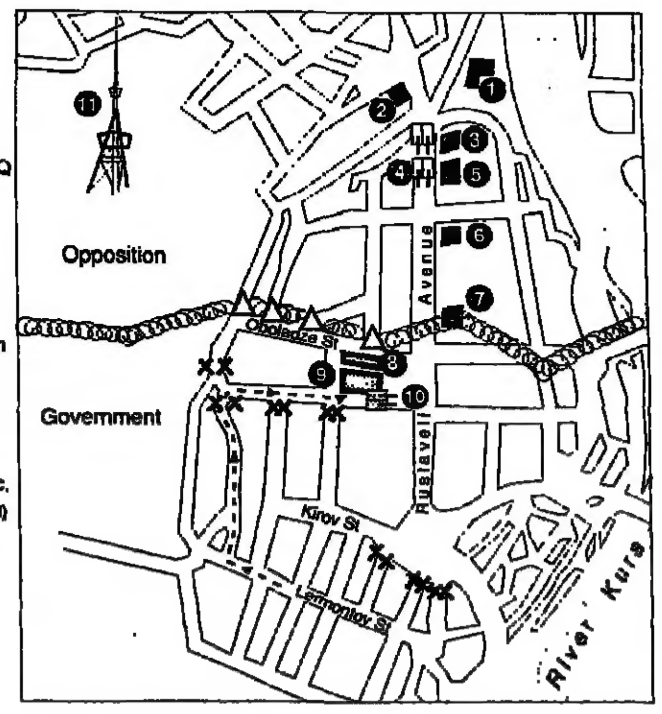
Interfax news agency reported that a helicopter regiment stationed in the Ukrainian town of Alexandria had already refused to take the oath until there was an agreement defining the total strength of Ukrainian armed forces.

Russia and Ukraine form the backbone of the commonwealth and their falling-out would spell the end of the fledgling organisation. The 11 member states agreed at their meeting in Minsk a week ago to submit all strategic forces to a unified command. But while Russia says the fleet, which has 300 ships, counts as strategic. Ukraine says it does not.

In an indication of how deeply Russian feelings run, both vice-president Alexander Rutskoi, an air force general who wants strong rule, and Mr Vladimir Lukin, the liberal who chairs the Russian parliament's foreign affairs committee, backed an appeal to the Ukrainian parliament to clarify the situation and to respect

Continued on Page 12

**Tbilisi : The balance of forces**




# Gamsakhurdia ready to face referendum

By Neil Buckley in Tbilisi

GEORGIA'S beleaguered president, Mr Zviad Gamsakhurdia, said yesterday he was prepared to hold a referendum on whether he should continue in power.

Speaking at a news conference inside the bunker beneath the Georgian parliament in the capital Tbilisi, where he was beginning a third week as a virtual prisoner of opposition forces demanding his resignation, Mr Gamsakhurdia indicated for the first time that he was prepared to put his popularity to the test.

"If the opposition seeks my resignation as president, it must be by referendum. I am ready but they don't want it. They know that they will be defeated."

Mr Gamsakhurdia did not rule out that United Nations observers might supervise such a referendum, but said he was not sure the UN would agree to this as Georgia was not a member.

Earlier, Mr Gamsakhurdia had met about half his 85 personally appointed regional officials to discuss the formation of local detachments of his supporters to keep order and stop the spread of weapons.

A crowd of more than 1,000 defied an opposition ban on public meetings and demonstrated in support of Mr Gamsakhurdia outside Tbilisi's central station. There was no repeat of the violence outside the Didube suburban station on Friday, when masked opposition gunmen opened fire on a crowd of unarmed Gamsakhurdia supporters. Four people are now believed to have died in the incident, with more than 30 injured.

Mr Gamsakhurdia repeated his appeal to other nations to defend his democratically elected government against a "violent coup d'etat by a junta of terrorists."

While maintaining his defiant tone, and dismissing an opposition attack on the government building as "impossible", Mr Gamsakhurdia was subdued and showed more signs of stress than when he met a small group of reporters last Thursday.

He spoke for the first time of the difficulties for the hundreds of people in the bunker.

"The conditions are very bad. Many people are sleeping on chairs or on the floor, and it is very hard to bring in food.

"We are kept going by our faith and our love of Georgia and the Georgian people," he said.

Rift hard to heal, Page 2

## Red Army tries to stay on the sidelines

THE once-mighty Soviet army is striving to avoid being dragged into the fighting in Georgia in spite of increasing attacks on its men which are severely testing its patience, Reuter reports from Tbilisi.

The army, reduced to virtual helplessness after 70 years of Soviet rule in Georgia, remains neutral in fighting between President Zviad Gamsakhurdia and rebel groups besieging him in his parliament.

Colonel Vassily Belchenko, aide to the commander of the army's Transcaucasian district, said four soldiers and one officer had been killed by gunmen since fighting began in late December.

The army, now effectively controlled by Russian president Boris Yeltsin, fights back where it can.

But any serious intervention by army forces, whether sanctioned by Moscow or the result of an internal mutiny, could have disastrous consequences for efforts to create a Commonwealth of Independent States from the ruins of the old Soviet Union.

The Russian-dominated army is still seen by most republics as a central threat.

Meanwhile the Tbilisi garrison can only sit and watch as a few hundred or at most a few thousand men and youths destroy the picturesque city centre building by building.

*This announcement appears as a matter of record only.*

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**(DFL 73,000,000)**
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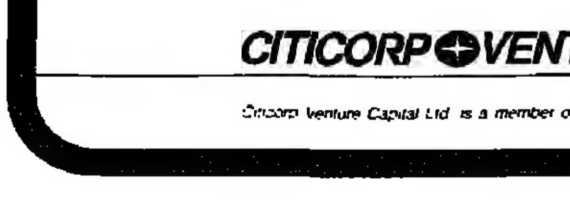


*June 1991*

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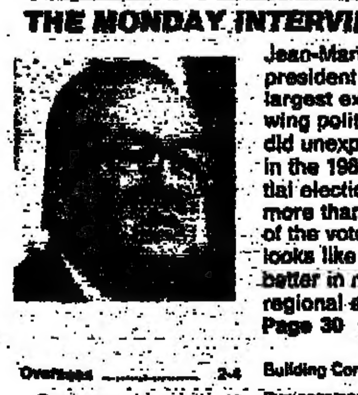
**THE MONDAY INTERVIEW**



Jean-Marie Le Pen, president of Europe's largest extreme right-wing political party, did unexpectedly well in the 1988 presidential elections, with more than 14 per cent of the vote. His party looks like doing even better in next March's regional election. Page 30



FORTHCOMING FT SURVEYS

**KENYA**
Wednesday's survey.
*Above: worker at a flower farm in Thika, Kenya.*

**WEDNESDAY**
Kenya : Tough economic and political challenges ahead.

**JANUARY 13:**
FT Top 500 : The leading European and UK companies.

**JANUARY 21:**
Egypt : Reaping the benefits of a pro-western stance.

**JANUARY 22:**
FT Traveller Hong Kong : The complete guide to one of the world's most fascinating cities.

**JANUARY 23:**
Cheshire : Seeking to encourage a wider spread of wealth.

**JANUARY 24:**
Personal Finance Quarterly Review : A pre-election look at 1992 prospects for investors.

# Rift caused by conflict in Tbilisi could be hard to heal

## Georgians are starting to wonder if either side is capable of bringing democracy to the republic, **Neil Buckley** reports

GEORGY is not the sort of man you would expect to find standing on Tbilisi's Rustaveli Avenue dressed in mirrored sun-glasses and camouflage jacket and holding a Kalashnikov. He is an ordained priest in the Georgian Orthodox Church.

He claims to have a religious reason for his opposition to Georgia's president, Mr Zviad Gamsakhurdia. "He is Satan," Georgy says simply. "I am fighting against the anti-Christ."

The severity of the fighting in Tbilisi in the past two weeks has been more than matched by the near-hysterical language used by each side. The opposition is especially fond of religious and diabolical imagery to describe a man who says he prays twice a day.

"This is a man with three sixes on his head," Mr Tengiz Kitovani, one of the two leaders of the opposition's military council, told reporters last week, in reference to the Great Beast of the biblical Revelations.

Mr Gamsakhurdia is only slightly more measured in his denunciation of the opposition, referring to them variously as terrorists, criminals, hooligans, bandits, agents of Moscow and Mafiosi.

This kind of propaganda, and the fiery Georgian temperament and tendency towards exaggeration, are all playing their part in inflaming conflict. As fighting enters its third week, both sides have made mistakes, *both sides have told lies and* both have fired on unarmed civilians. Georgians are starting to wonder if either side is capable of bringing democracy to the republic.

Strangely, their leaders are neither career politicians nor soldiers. Mr Kitovani and Mr Dzhava Iosseliani, heads of the opposition's military council, are a former sculptor and a professor of dramatic art.

Mr Gamsakhurdia, meanwhile, is the son of Georgia's most famous 20th century writer, Konstantin Gamsakhurdia, and a former English lecturer.

All three were imprisoned as dissidents under Soviet rule and participated in the movement to "liberate" Georgia from the Soviet Union in recent years. Mr Gamsakhurdia and Mr Kitovani were in the same class at school and until last year were close friends.

Only Mr Tengiz Sigua, the former prime minister, and now appointed alternative prime minister by the *opposition, lacks an artistic, dissi*dent background. He is a former engineer.

The issue which divides the opposition and Mr Gamsakhurdia is their charge that he has attempted to become a dictator. While he does not deserve to be compared with the likes of Ceausescu or Saddam Hussein, his rule does bear many of the hallmarks of a dictatorship.

After his election with 87 per cent of the vote in May last year, Mr Gamsakhurdia broke his election promises to liberalise the economy and allow private ownership of land.

In addition, the opposition claims, he took over the KGB and used a network of 85 directly-appointed prefects to impose absolute rule in the republic.

Opposition deputies and former members of the government accuse him of refusing to heed other's opinions, appointing unsuitable and incompetent ministers, and ultimately attempting to rule without *parliament.*

Mr Gamsakhurdia has also imprisoned several political opponents, including Mr Iosseliani, closed newspapers and attempted to control state television, prompting a strike among journalists.

But his biggest crime in the eyes of the opposition was his ambiguous reaction to last August's attempted coup in Moscow when he obeyed instructions from the coup leaders to disarm the Georgian national guard. He refused to denounce the coup and publicly censured deputies who did.

Defying the order to disarm, Mr Kitovani, founder of the national guard, led rebel soldiers into hiding outside Tbilisi. Mr Sigua resigned.

Both went into opposition, forming a loose alliance with a range of political parties and armed groups, and the slide towards civil conflict began.

That conflict could continue for *some time. The opposition* has begun to retreat from its recent threat to storm the government building where *Mr Gamsakhurdia* is under siege, perhaps realising that it lacks the firepower to be certain of victory.

They may fear a popular backlash against any action resulting in heavy bloodshed.

Mr Gamsakhurdia, while short of weapons and ammunition, apparently has more trained troops at his disposal than the opposition. He has also been bequeathed by Georgia's former Communist leaders a fortified bunker with electricity and running water. Supply lines from outside are still open.

The opposition hopes he will give himself up or be forced out by those around him. Certainly, he has cracked under pressure before when, as a political prisoner, he was persuaded by the KGB to denounce fellow-dissidents on television in return for a reduced sentence.

Whatever the fate of the president, the question of whether the opposition can successfully seize power and hold new elections without the conflict escalating into civil war depends on the level of support for the two sides in the provinces.

There has so far been little response to the president's call for a general strike, but some observers suggest the rifts between fellow-Georgians caused by the ugly situation in Tbilisi may be difficult to heal.

# West gives ex-Soviet republics respite on $3.2bn debt

WESTERN creditor nations have agreed to give the republics of the former Soviet Union breathing space to the end of this year to repay loans totalling $3.2bn (£1.75bn), Reuter reports from Paris.

*The agreement by 17 rich* industrial nations at the weekend confirmed in detail an earlier accord struck at the end of November by the Group of Seven industrialised countries.

"The participating countries decided... to grant a deferral of payments on principal only, on medium- and long-term external debts contracted before January 1 1991, falling due from December 5 1991 to the end of 1992," a statement said.

The creditors said they would review at the end of March whether the former Soviet republics were implementing economic reforms drawn up with the help of the International Monetary Fund (IMF).

The deferral would continue if they met conditions which included keeping up to date with the repayment of debts excluded from the agreement.

A senior French official said the group estimated that the former Soviet Union owes $65bn, considerably below earlier public estimates of $80bn, to the outside world in debts. Of the $65bn, about $32bn is owed to the 17 nations that agreed to the deferral, the official said.

The basis for the agreement was a pledge by eight of the republics to accept shared responsibility for Soviet debt.

The agreement, which does not apply to short-term loans, follows a similar one reached last month by commercial banks.

The western creditors urged other republics to follow suit. "The participating countries [in the Paris meeting] expect that all other successors in the former USSR will rapidly join in this memorandum," the Paris statement said.

It made clear that if they do not agree to share the responsibility, they risk being cut off from vital western trade credits they need to revive their shattered economies.

"The countries stated that when considering whether to provide additional export credits to the republics, they would take into account whether the republics" had agreed to help shoulder the debt, the statement added.

A senior French official said the group of creditors did not expect the former Soviet Union to need a full-blown rescheduling of its debt because it was manageable, considering the potential wealth of the country.

The political significance of the accord dwarfed important debt reschedulings in the past such as those for Mexico and Brazil, the official added. "In many respects, it's the most important we've ever had."

# Tajikistan forms ties with China

CHINA and Tajikistan yesterday established formal diplomatic links as Beijing continued to form ties with the successor-states to the Soviet Union, especially those on its sensitive border, Reuter reports from Beijing.

The New China News Agency reported that a joint communiqué was signed in Dushanbe, Tajikistan's capital, to establish relations at ambassadorial level.

Tajikistan is one of three republics bordering China's Moslem-minority region of Xin*jiang in the north-west.*

Beijing still has to establish ties with Kirgizia in order to have relations with all members of the Commonwealth of Independent States (CIS) on its immediate border.

China and Russia set up ties at ambassadorial level on December 27. Beijing subsequently set up full ties with Kazakhstan, Uzbekistan and the Ukraine. China has recognised all republics of the CIS and Georgia, which has not yet joined the commonwealth, but has said it will negotiate full ties with each individually.

A senior official in China's remote north-west on the border with the three republics *has urged the region's ethnic* minorities to improve inter-ethnic unity and national defence.

Mr Keyum Bawudun, deputy chairman of the predominantly-Moslem Xinjiang province, made the plea because Beijing views with alarm the possibility of Moslems on both sides of the border making common cause.

"Xinjiang, as the north-west gateway of the motherland, is very important in terms of its strategic position," Keyum was quoted as saying on Xinjiang television on Saturday.

"Therefore, it is necessary to strengthen education in national defence among all ethnic groups in the region, to *enhance solidarity between the* army and the people, and to increase inter-ethnic unity," he was quoted as saying.


## FT CONFERENCES

**AIR TRANSPORT IN THE ASIA-PACIFIC REGION - TOWARDS THE 21ST CENTURY**
**Singapore, 23 & 24 February 1992**
Arranged in association with the International Air Transport Association, the conference is timed to immediately precede the Asian Aerospace '92 Exhibition. A panel of international speakers will consider the issues of concern to the region - multilateralism in international air transport, the mergence of trade blocs, the *problems of congestion in the air and on the ground.* Speakers include: Dr Cheong Choong Kong of Singapore Airlines; Mr Vladimir Zubkov of the International Civil Aviation Organisation; Mr Mitsuo Ando of Japan Airlines, M. Bernard Attali of Air France and Mr John Ward of Qantas Airways.

**INTERNATIONAL BANKING**
**London, 25 & 26 February 1992**
The 1992 meeting will review how the international banking industry is responding to the challenges of economic uncertainty and the continuing pressures on profitability and margins. Speakers include: Mr Brian Quinn Executive Director, Bank of England; Mr Eiichi Matsumoto, Vice Chairman, The Bank of Tokyo, Ltd; Mr Abdulla A Saudi, Deputy Chairman, President & Chief Executive, Arab Banking Corporation (BSC); Mr Willem E Scherpenhuijsen Rom, Vice Chairman, International Nederlanden Groep, & Chairman, NMB Postbank Groep and M. François Henrot, Chief Operating Officer, Compagnie Bancaire.

**ESTABLISHING A PRESENCE IN JAPAN**
**London, 4 March 1992**
This high-level, yet practical conference, to be arranged in association with Priority Japan, will feature keynote speeches by The Rt Hon Peter Lilley, MP, Secretary of State for Trade and Industry; Mr Michael Perry, CBE, Vice Chairman of Unilever and Sir David Scholey, CBE, Chairman of S G Warburg Group.

**THE EUROPEAN WATER INDUSTRY**
**London, 10 & 11 March 1992**
Speakers taking part include Mr David Trippier MP, Mr Laurens Jan Brinkhorst, The Rt Hon The Lord Crickhowell PC, Mr Ian Byatt, Mr William Courtney CBE and Mr Endre Almassy. Issues to be reviewed include the implications of continuing pressures to raise standards to the exacting levels demanded by the European Commission and its member states; developments in the economic regulation of the privatised UK water industry; comparison with regimes in other western countries.

**INTERNATIONAL PACKAGING AND THE ENVIRONMENT**
**London, 23 and 24 March 1992**
The packaging industry throughout Europe is facing its biggest upheaval this century as the impact of environmental legislation begins to bite. What materials companies use and how their packages are manufactured, distributed and disposed of are becoming issues of pressing importance. There are concerns too that rigid legislation could threaten the free flow of goods across borders. Speakers include Mr Clemens Stroetmann, Mr Rainer Grohe, Mr Sverker Martin-Löf, Dr Hans Rausing, Dr Graham Gladden and Mr Michael Samuel.

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ.Tel: 071-925 2323 (24-hour answering service). Telex: 27347 FTCONF G, Fax: 071-925 2125


# Russians may be without fuel soon

POWER stations in Russia, the world's biggest oil producer, are running out of fuel and may have to cut energy supplies to industry and the public, an official was quoted as saying yesterday, Reuter reports from Moscow.

Mr Stanislav Rura, deputy chief engineer of the Far East Power Association, said coal shortages were to blame. "We are faced with the real necessity of halting the supply of energy to industrial enterprises," he told Tass news agency. "The reason is the acute shortage of fuel. Miners in the Maritime Region *(around Vladivostok)* are not providing for the power-engineering workers' requirements, and there aren't any deliveries from other areas.

"Power stations are already using up reserve stocks of coal. Unless urgent measures are taken, the question of stopping the population's heat supply will also arise."

Many enterprises in both Russia and other former Soviet republics have been feeling the effects of a fall in Russian energy supplies for some time. Radio Russia said that Siberian oil extraction fell 50m tonnes to 305m in 1991. It quoted Mr Yury Lisovoy, deputy head of the Tyumen Regional Economic Affairs Board, as telling the Russian Information Agency production was expected to drop further in 1992.

Soviet oil production, of which Russia accounts for about 90 per cent, fell to about 500m tonnes in 1991 from a 1988 peak of 624m. But Mr Lisovoy held out hopes that greater local control over locally-produced oil in the coming year would help boost declining output.

Tass said northern Russian officials had halted unloading of nuclear fuel from decommissioned submarines from yesterday. "It has emerged the military have been conducting ecologically dangerous operations without warning civil authorities or the public."

# Serb enclave rejects UN troops plan

THE Yugoslav army and Croatian forces held to a ceasefire yesterday but Serb leaders *of a key region* appeared set to spell trouble for UN plans to deploy peace-keeping forces, Reuter reports from Belgrade.

The leader of the Serb enclave of Krajina, standard-bearer of Serb resistance in Croatia, rejected deployment of UN troops in the territory itself, saying they could be stationed only on its borders.

Mr Milan Babic, Krajina's president, said in a message sent to the UN envoy, Mr *Cyrus Vance, and the Security* Council, that Serb irregulars there would not lay down their arms while Croatia's National Guard retained theirs.

He also questioned why units of the Serb-led federal army had to be withdrawn – another key element in the peace plan.

"We would remind everyone that the internal arrangement and the maintenance of public order is exclusively within the competence of. . . Krajina and no one has any right to settle those matters in a different way," Mr Babic said.

*Krajina,* a wedge of territory in the heart of Croatia, unilaterally declared independence from the republic last month and now styles itself "the Serbian Republic of Krajina".

Under the UN plan, "Blue Helmet" troops would be deployed in Krajina and other Serb enclaves in Croatia, irregular forces would be disarmed and units of the army and Croatian National Guard would be withdrawn.

Mr Babic's opposition touched off a row with the political leadership of Serbia and the federal presidency which, with Croatia, have accepted the plan.

Mr Borisav Jovic, the Serbian member of the presidency, accused Krajina leaders of backtracking after initially agreeing with Serbia to accept the terms of the UN plan.

Mr Vance says he will recommend deployment of the UN force if a Friday night ceasefire between the Yugoslav federal *army and the Croatian* National Guard really takes hold.

Both the army and Croatian forces yesterday reported the quietest night for months, with no serious violations of the ceasefire and all battlefronts quiet yesterday.

More than 6,000 people have been killed in fighting since Croatia declared independence from Yugoslavia last June.

In New York, Mr Vance discussed prospects for a peacekeeping force with Mr Boutros Boutros Ghali, UN secretary-general. He later said he hoped the new ceasefire, the 15th in the conflict, would hold and indicated any deployment of UN troops might be weeks away.

"One can tell if you watch over a period of days, and perhaps even weeks, as to whether or not it is going to stick," he said.

His recommendations to the Security Council this week will be crucial.

A Croatian soldier walks past the shelled-out Serbian Orthodox church in Karlovac yesterday. The Yugoslav Orthodox Church celebrates Christmas today, but no services will be held here

# Poland's new premier hints he may quit

By **Christopher Bobinski** in Warsaw

POLAND's new centre-right government, formed just before Christmas after two months' political manoeuvring, is already looking fragile after a series of clashes with President Lech Walesa, the recently-elected parliament, and the trade unions.

Mr Jan Olszewski, prime minister, hinted over the weekend he would resign if both the Solidarity trade union movement and the former communist OPZZ union movement acted on threats to strike in protest against a near-doubling in energy and central-heating prices on January 1.

The OPZZ has said it will call a token national stoppage on January 16, and Solidarity has threatened action unless the rises are suspended.

Adding to the government's woes is a row with Mr Walesa over the decision last week by Mr Jan Parys, Poland's first post-war civilian defence minister, to pension off his predecessor, Admiral Piotr Kolodziejczyk. The move has angered Mr Walesa, commander of the armed forces. The president, who last year opposed Mr Olszewski's appointment as prime minister, wanted to keep the admiral in a senior military post to reassure a nervous officer class, despite his Warsaw Pact communist background.

The row with Mr Walesa and union opposition to phasing out energy subsidies have underlined the fragility of Mr Olszewski's position as leader of a fragile coalition government with only tenuous support in a fractured parliament containing 29 political parties.

The new parliament, elected at the end of October, has shown little enthusiasm for approving welfare cuts demanded by the government in an interim budget for the first quarter of the year. Last week, the government announced a 20 per cent increase in alcohol and tobacco prices to shore up collapsing budget revenues.

Tax revenues from the ailing state sector have declined sharply in line with two years' rapid fall in state-sector production and a slower-than-hoped rate of privatisation which has cut expected income from the sale of state assets.

To trim a budget deficit which exceeds targets originally agreed with the International Monetary Fund, the outgoing government planned to cut plans for government spending by a third.

On Saturday, Mr Karol Lutkowski, finance minister, asked parliament to approve the interim budget without amendment. Otherwise, he warned critics, "the budget would spiral out of control and lead to hyper-inflation".

The interim budget prepared by Mr Leszek Balcerowicz, the outgoing finance minister, assumes a Zl 17,600bn (£890m) deficit for the first three months, and forecasts inflation rising by 15 per cent for the quarter, against 60 per cent over the whole of 1991. The new government, while defending this budget, has promised to present its own economic programme by the middle of next month.

# Rome extends Hanoi aid

ITALY, the first EC country to drop a US-led trade embargo against Vietnam, said yesterday Rome would give Hanoi $70m (£38.4m) in new grants and soft loans for 1993 and 1994, Reuter reports from Hanoi.

Mr Gianni de Michelis, Italy's foreign minister, said at the end of a one-day visit to Hanoi that the aid, which follows $140m granted to Vietnam in 1990-1992, would be used mostly to develop telecommunications and electricity.

"We are opening the way, paving the way for the other European countries," Mr de Michelis said. "We thought the time was ripe for changing the European position."

In December 1989 Italy broke ranks with other western countries by offering Vietnam the $140m aid package.

# Swiss reopen embassy

THE SWISS embassy in Tehran, the Iranian capital, reopened yesterday after being closed for a week following a diplomatic row between the two countries, AP reports from Berne. Mr Walter Haffner, Swiss chargé d'affaires in Tehran, said the visa and foreign interests sections were operating normally.

Switzerland shut the embassy on December 29 after Iranian authorities temporarily confiscated the passport of a Swiss diplomat as she was about to leave on honeymoon. Movements of other officials were restricted.

Tensions rose before Christmas when Swiss police arrested an Iranian national on charges of involvement in the murder in France of Mr Shahpour Bakhtiar, the Shah of Iran's last prime minister.


The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenberg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.



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## INTERNATIONAL NEWS

# Algiers starts to play for time

**Francis Ghilès reports on the Algerian government reaction to Islamic fundamentalists' strong showing in the first round of the country's polls**

IN the six months which followed his appointment as Algerian prime minister last June, Mr Sid Ahmed Ghozali seemed to pop up in an endless stream of interviews, meetings and chat-shows – lionised to an extent never before seen in this country.

Since Algerians cast their votes on December 26 in the first round of the country's first multi-party general election, their prime minister has disappeared from the public scene, with the brief exception of an appearance on French television in the wake of the polls, during which he indulged in violent attacks on the lay opposition parties.

By any standards, such behaviour is extraordinary. Rumours of a military coup are two a penny, the local press is full of articles explaining in elaborate detail that the Islamic Salvation Front (FIS), whose candidates won 47.3 per cent of all votes cast, "manipulated" the election and that the *walis* (provincial governors) failed to ensure a "fair" poll.

Meanwhile, senior members of the cabinet map out their strategy to chosen members of the foreign press. The Constitutional Court, they explain, which is looking at alleged fraud in 145 constituencies, might annul the election of 50-70 newly-elected deputies, all of whom will inevitably be members of the FIS. New elections will then have to be organised in those constituencies within three months, a tactic which might give the government a breathing space.

All of this looks like *hukkumat-mikki* (Mickey Mouse government), the expression ordinary Algerians have come to use for those who govern them.

The name of Mr Ghozali, whose reputation until June rested on his successful management in the 1970s of the state oil company, Sonatrach, between 1976 and 1979, is now best not mentioned among the many engineers and middle management of the company.

Many are people who have never been given their due or who are desperately worried about what the future holds for their children, let alone the increasingly debased education they are currently receiving in local schools and universities.

Many among Algeria's brightest and most educated sons have left the country since the mid-1970s in disgust at the endless in-fighting among their rulers, at the growing corruption and the fact that real confidence is so seldom rewarded. Today, they cannot believe what they see. Fighting at the top is ferocious but conducted behind closed doors.

They now know that the prime minister's promise of a fair election was an empty one. Whatever the outcome, the reputation of Algeria will suffer.

Mr Hocine Ait Ahmed, leader of the main lay opposition party, the Front des Forces Socialistes, pointed out a few days ago that cancelling the second round makes the country look like a banana republic. A military coup would bring Algeria back to square one but might become unavoidable if pressure mounts, at home, or if the FIS is "deprived" of its majority.

The King of Morocco cannot view with any sympathy the idea of a regime competing with his brand of "Islamic legitimacy".

The behaviour of the FIS, whatever its rulers may say today, risks being dictated by its supporters, the have-nots and castaways of Algerian society. These people have many kindred spirits in Morocco for whom the king's title of *Amin al Mouminine* (Descendant of the Prophet Mohammed) weighs little against the harsh daily grind. The Tunisians, for their part, are desperately worried.

Meanwhile, a few hundred (or maybe even a few thousand) "Afghans" – Algerians trained in the camps around Peshawar in Pakistan, who fought the Russians in Afghanistan in the name of Allah – lie low. They were responsible for the recent attack on military barracks in south-east Algeria. The resulting shoot-out cost 24 lives among the attackers and the security forces. Many of the weapons stolen from the police during the riots of October 1988 have never been recovered.

No modern conflict is free of the vengeful hands of old ghosts, but in a country on which modern history has inflicted much suffering, they pull the strings of the current fray with inordinate and perilous force.


**Several thousand people protested in Paris yesterday after a call by the Front des Forces Socialistes opposition in Algeria to support the fledgling democracy in the country. The Moslem fundamentalist FIS party won 47.3 per cent of the vote in the first round of voting, the second of which is scheduled for January 16.**

**European Commission President Jacques Delors said yesterday that foreign aid to Algeria should continue if Moslem fundamentalists take power but be reviewed if the Islamists crack down on opponents, Reuter reports from Paris. "We will see what measures they take, but initially I say no," Mr Delors told French television when asked if French or European Community aid should be curbed if Algeria becomes an Islamic republic.**

# Virgin backs down on Sunday trading

**THE battle over the sanctity of Sunday in France took a new turn at the weekend when Virgin, the London-based leisure group, succumbed to political pressure by deciding not to open its French stores illegally yesterday. Alice Rawsthorn writes from Paris.**

The decision by Virgin, which was fined FFr500,000 ($93,000) last week for opening the previous Sunday, is seen as a placatory gesture to the French government, which is preparing for a national debate on Sunday trading restrictions.

On Wednesday, government representatives will meet trade unionists to discuss the issue. The liberalisation of Sunday trading laws has long been considered controversial in France because of the special role of Sunday in a Roman Catholic culture and opposition by the unions.

Virgin has been campaigning against the constraints on Sunday trading for three years, since it opened its megastore selling records, tapes and videos on the Champs Elysées in Paris.

It had announced plans to open stores yesterday, but Mr Patrick Zelnick, Virgin France president, agreed not to do so after all in the light of the forthcoming political debate, after holding meetings on Friday with Ms Martine Aubry, minister of labour, and Mr François Doubin, commerce minister.

One of the most powerful opponents of Virgin's Sunday trading campaign is its chief competitor, FNAC, the bastion of the French music retailing market, which favours a traditional approach to Sunday opening.

# France to pull troops from Chad

FRANCE is to withdraw its troops from Chad now that government forces have crushed a rebellion by troops loyal to deposed president Hissène Habré, foreign minister Roland Dumas said yesterday, Reuter reports from Paris.

France sent 450 paratroopers to Chad from bases in France and nearby African states to boost its 1,200-man permanent garrison in Chad, and protect the 3,000 French nationals there, because of a rebel offensive against the capital N'Djamena last week.

Saying the Chad government had the situation under control, Mr Dumas told Radio France-Info: "The presence of the reinforcements we sent will no longer be justified if the situation is confirmed. It is a *question of a few days or of a* few weeks."

The Chad government said on Saturday its forces had crushed the rebellion by Habré forces, killing 425 rebels including six of his top aides.

An official communiqué on state radio said government troops suffered 25 dead and 70 wounded in fierce fighting to recapture four garrison towns in the Lake Chad area west of N'Djamena.

# Iraq spurns 'colonial' UN conditions for sale of oil

IRAQ said yesterday it would never accept United Nations resolutions imposing "colonial" conditions on its sale of oil, agencies report.

"Iraq's position towards Security Council Resolutions 706 and 712 is fixed and will never change," the Foreign Ministry told the Iraqi News Agency.

Iraqi and UN experts are to meet in Vienna on Wednesday to discuss possible export of Iraqi oil, still banned by a Gulf war trade embargo.

The UN offered last year to let Iraq sell oil worth $1.6bn, under terms which would deny Baghdad control of the income and allocate part of it for war reparations. Baghdad rejects the conditions set out in the resolution for the sale of its oil, saying that strict UN monitor*ing of the transactions and the* presence of UN and foreign oil company supervisors were an insult to Iraqi sovereignty.

US and British diplomats on the council have said they are prepared to be flexible about many of the resolutions' terms but that basic guidelines, including UN monitoring of sales and proceeds, could not be altered.

While Baghdad is suffering from the embargo, the UN also needs money derived from oil *sales to pay for relief supplies* it distributes in Iraq as well as for the commission destroying or removing Iraq's nuclear, chemical, biological and ballistic weapons.

UN sources say the following issues are expected to be raised. Some will need formal or informal approval from the Security Council or its sanctions committee.

- Pipeline: Iraq has indicated it wants to sell oil to pre-war Asian clients, mainly Japan, through its Mina al-Bakr oil terminal. A secretary general's report accepted by the council said the oil should run through the northern pipeline to Turkey, the only one operating at the end of the war. Security Council sources said there would be no objections to Mina al-Bakr, but only if proper monitoring were possible.
- Contracts: Iraq wants guarantees that it would be able to make long-term contracts, which would enable its state oil company to establish itself again in international markets. Council sources said this was a possibility.
- Monitoring: Baghdad wants "transparency" in all financial transactions so that it can see where the proceeds are going and how humanitarian goods *are bought and delivered*. Under the resolutions, Iraq markets the oil but the UN has to approve all contracts, open an escrow account and then supervise Iraqi purchases and distribution of food and other supplies. The monitoring of oil sales is to be done by officials from Norway's state oil company. It is expected the council would be flexible on this demand if UN officials work out the technicalities.

**A UN investigator is visiting Iraq to press President Saddam Hussein's government on accusations of executions, mass arrests and disappearances.**

**"There are quite a number of allegations of violations of human rights... we will be trying to clarify these matters," Mr Max van der Stoel, appointed by the Human Rights Commission as special rapporteur for Iraq, said yesterday.**

**A report, to be presented to UN secretary general Boutros Boutros Ghali in February, is expected to coincide with a debate on extending Security Council sanctions against Baghdad.**


## CONTRACTS & TENDERS

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**ANNOUNCEMENT**

**SALE OF A SEMI-COMPLETED HOTEL COMPLEX (FORMERLY ENTITLED "HOTEL MARISA")**

The Hellenic Industrial Development Bank (ETBA SA) hereby announces that it will be holding a public competition with sealed bids for the sale to the highest bidder of:
A semi-completed hotel complex formerly entitled "Hotel Marisa".
Date of unsealing of bids: 31-1-1992
Time of unsealing of bids: 12 noon
Bids must be accompanied by the guarantee provided for, and will otherwise be disregarded.
Bids must be submitted by interested parties or their authorised representatives by 1400 hrs. on Thursday, 30 January 1992, to the main offices of ETBA SA, Department of Fixed Assets, 87 Syngrou Avenue, Athens, 3rd Floor.

The bids must state that the interested parties have taken cognisance of the terms of the competition as contained in the full announcement of sale, which they accept.

Further information and copies of the terms of the competition may be obtained from the above address and at the following telephone numbers: 9215311, 9232054. Extensions 2561, 2562 and Fax Numbers 9232089, 9232809.

**ANNOUNCEMENT FROM THE CHAIRMANSHIP OF THE CENTRAL COMMISSION OF PURCHASES, SALES AND TENDERS OF THE TURKISH STATE RAILWAYS**

THE REQUIREMENT FOR WHICH A BID INVITATION WAS ANNOUNCED ON 27.12.1991 WITH BID DEADLINE 25 FEBRUARY 1992 AND BIDDING DOCUMENTS AVAILABLE AS FROM 15 JANUARY 1992, COVERS ONLY THE SPARE PARTS FOR THE FORKLIFTS AND CRANES MENTIONED IN THE BID INVITATION.

THIS ANNOUNCEMENT IS MADE TO AVOID ANY MISUNDERSTANDING BY THE PROPOSED BIDDERS.

33940

## PUBLIC NOTICES

**INSURANCE COMPANIES ACT 1982**

**Notice of Approval of Transfer of Business**

Notice is hereby given pursuant to section 51(5)(a) of the Insurance Companies Act 1982 that the Secretary of State has approved a transfer of certain general business from REFUGE ASSURANCE PLC ("the transferor") to DIRECT LINE INSURANCE PLC ("the transferee").

Department of Trade and Industry
LONDON
28 November 1991

## LEGAL NOTICES

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
CLICKS MANCHESTER LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at The Palace Hotel, 31 Great Cumberland Place, Marble Arch, London W1, on 31st December 1991 at 12.00 noon for the purposes provided for in Section 98 et seq.
A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 24th December 1991
D. T. Spasl, Director

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
ADENSTAR CONTRACTORS LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at The Palace Hotel, 31 Great Cumberland Place, Marble Arch, London W1, on 7th January 1992 at 2.00 pm for the purposes provided for in Section 98 et seq.
A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 24th December 1991
Graham Keith Bryant, Director

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# INTERNATIONAL NEWS

## Somalian ceasefire eludes UN envoy

By Julian Ozanne in Nairobi

UNITED NATIONS efforts to bring peace and humanitarian assistance to war-ravaged Somalia appeared destined for failure last night after a special envoy completed a three-day *tour of the country without* reaching agreement on a ceasefire or relief efforts.

The failure, in the face of objections by Somalia's battling factions, is bound to lead to further clan warfare and worsen the plight of hundreds of thousands of Somali civilians.

Mr James Jonah, UN undersecretary general, said there was no common ground between the two battling warlords – Mohamed Farah Aideed and Ali Mahdi Mohamed – in the shell-blasted capital, Mogadishu.

Fighting continued during Mr Jonah's trip, despite assurances that a de facto ceasefire was in place. Mr Jonah said Mr Ali Mahdi had asked the UN to send a peacekeeping force into Mogadishu and attempt to broker a reconciliation. Both proposals were ruled out by Mr Aideed. At least 5,000 people have been killed and 11,000 wounded since the latest bout of clan warfare erupted last November.

The failure of the UN – which was absent from Mogadishu for most of last year – will lead to initiatives by other bodies. The Arab League, of which Somalia is a member, agreed at an emergency meeting yesterday to appoint a ministerial committee to attempt to reconcile the factions.

Mr Meles Zenawi, the transitional president of Ethiopia, has also given his support to calls for an international force to enter Somalia to facilitate humanitarian operations.

Concerns over US security role likely to have been allayed

## Bush faces a tough finale on Asian tour

By Our Foreign Staff

US President George Bush embarked on the more politically sensitive part of his *Asian* tour yesterday with his arrival in South Korea, to be followed tomorrow by a visit to Japan.

The president needs to convince voters at home that he is effectively seeking broader markets for US goods while at the same time cementing relationships with America's key north Asian allies.

Concerns in Asia about continued US commitment to its "balancing wheel" role in regional security will have been allayed by Mr Bush's visit to Singapore, where he won approval in principle for relocating a US Navy logistics command from the Philippines.

In Seoul, Mr Bush is expected to reaffirm that the US would not withdraw more troops from South Korea until a dispute over North Korea's nuclear programme was fully resolved.

Washington has withdrawn battlefield nuclear weapons and 6,000 troops in recent months. But the withdrawal of about 6,000 more of the 39,000 troops remaining is on hold.

However, greater attention is likely to be focused on trade issues, even though South Korea has economic problems, including a widening current account deficit. Mr Bush was expected to urge South Korea to open its markets more to US goods.

"With a growth rate of 6.7 per cent, our pitch is they're becoming a very mature economy," one US official was quoted as saying yesterday. However, Korean officials said the most explosive political issue in South Korea – opening its rice market to US imports – would be sidestepped.

The highest expectations in the US are focused on the Japanese leg of the tour, following inclusion in the president's entourage of 21 leading businessmen. His mission is seen as securing commitments from Tokyo to take concrete measures to reduce the $41bn (£22.5bn) US trade deficit with Japan.

Mr Beverly Dolan, chairman of Textron, the aerospace group, said: "It would seem to me that the Japanese would recognise that this isn't going to go on forever, and it would surely be in their best interest to suggest ways to cure the trade imbalance, rather than the US to mandate it.

"The thrust of this trip is to try to enlighten them to change their direction themselves, of their own free will," he said.

Mr Bush told a news conference on Saturday that he was not going to Japan in an aggressive frame of mind and pointed out that security and other issues would also be topics of discussion.

Mr Robert Galvin, chairman of the executive committee of Motorola, the US electronics group, said he believed Mr Bush needed to obtain Japanese agreement on a set of steps to accelerate balancing the trade deficit.

"I think we're going to set new directions and new paces," Mr Galvin said.

George Bush and his wife Barbara burn incense after laying a wreath to honour war dead – including those who died in the 1950-53 Korean war – at the national cemetary in Seoul yesterday

## Kashmiris step up calls for plebiscite

KASHMIRI political groups in Pakistan held rallies and marches yesterday, demanding a United Nations-mandated plebiscite in their disputed Himalayan state to decide its future, Reuter reports from Islamabad.

Kashmiri sources said a complete strike was observed in Pakistani-ruled Azad (free) Kashmir to protest against the failure to implement UN resolutions calling for a plebiscite in the region, two-thirds of which is under Indian control.

Protesters burned the Indian flag in the Pakistani town of Rawalpindi, near Islamabad. They accused India of committing atrocities in Kashmir while trying to crush a Moslem independence campaign.

Kashmiri groups in Pakistan designated yesterday a "self-determination day" to commemorate a 1949 resolution of a UN commission for India and Pakistan that called for a plebiscite in Kashmir.

Mr Sardar Abdul Qayyum, Azad Kashmir's prime minister, called on Kashmiris to be prepared to take up arms to "take revenge for every drop of [Kashmiri] blood".

He accused India of failing to move towards a political settlement and told a rally in the state capital of Muzaffarabad: "If India insists on a military solution to the Kashmir problem, we are ready for that as well."

Two of the three wars between India and Pakistan since independence from Britain in 1947 were fought over Kashmir.

More than 5,000 people have died in the *Moslem rebellion* in Indian Kashmir since early 1990.

Islamabad has denied Indian charges that it is training and arming Kashmiri militants.

NEWS IN BRIEF

## Daewoo considers N Korean ventures

THE chairman of Daewoo, the leading South Korean conglomerate, will visit North Korea later this month to propose joint venture hotel and electronic telephone projects, AP reports from Seoul.

The Chosun Ilbo newspaper, quoting government officials, said yesterday that Mr Kim Woo-joong also would offer to help finish a 105-storey hotel under construction in Pyongyang, the North's capital. Daewoo officials were not available for comment.

Mr Kim would be the first South Korean business leader to be allowed to visit the North since the rival Koreas signed a reconciliation agreement in December.

## Warning on Cuban refugees

Cuban refugees in the Cayman Islands may be repatriated unless there is a speedy conclusion to their efforts to enter the US, writes Canute James.

Mr Lemuel Hurlston, administrative secretary of the British colony, said some of the 51 refugees had been in the Cayman Islands for at least nine months, and the budget for feeding and housing them had been exhausted.

*The Cayman Islands*, located 175 miles south of Cuba, is increasingly favoured by Cubans seeking refuge in the US. More than 100 Cubans have arrived there since 1989; up to March of last year all had been allowed into the US.

## Sixth Kenyan minister resigns

Mr Njoroge Mungai, Kenya's environment minister, announced his resignation at the weekend, the sixth minister or assistant minister to quit in the last two weeks, Reuter reports from Nairobi. Mr Mungai said he would join the new opposition group, the Forum for the Restoration of Democracy (FORD), set up after Kenya ended its one-party system in December. He also blamed corruption within the government, election rigging and ethnic conflicts for his decision.

Another leading political figure, Mr Maina Wanjigi, a former minister, has also announced his defection from the ruling Kenya African National Union (Kanu), saying he would join FORD.

## El Salvador cholera deaths

At least three people have died in a fresh outbreak of cholera in El Salvador, the Health Ministry said at the weekend, Reuter reports from San Salvador. More than 350 new cases of the disease have been reported since December 26.

Cholera has killed at least 36 Salvadoreans and affected about 1,300 more since first cases were reported in August.

## UK acts over tourist murders

The Foreign Office said yesterday it was seeking an explanation from Angola for the murder of four Britons in an ambush near a camp holding former rebels in the south of the country, Reuter reports from London.

The victims were among a party of seven British tourists attacked near Quilengues, in the southern province of Huila, on Friday night. Two were injured and one escaped unharmed.

## INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

| | UNITED STATES Narrow Money (M1) | Broad Money (M2) | Short Interest Rate | Long Interest Rate | Equity Market Yield | JAPAN Narrow Money (M1) | Broad Money (M2+CDs) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | 9.2 | 9.1 | 8.00 | 10.62 | n.a. | 5.0 | 8.4 | 6.62 | 6.34 | n.a. |
| 1986 | 12.3 | 8.3 | 6.49 | 7.68 | 3.43 | 6.9 | 8.7 | 5.12 | 4.94 | 0.84 |
| 1987 | 11.6 | 6.5 | 6.82 | 8.38 | 3.12 | 10.5 | 10.4 | 4.15 | 4.21 | 0.55 |
| 1988 | 4.3 | 5.4 | 7.65 | 8.84 | 3.61 | 8.4 | 11.2 | 4.42 | 4.27 | 0.54 |
| 1989 | 0.9 | 3.8 | 8.99 | 8.49 | 3.43 | 4.1 | 9.9 | 5.31 | 5.11 | 0.48 |
| 1990 | 3.7 | 5.2 | 8.06 | 8.56 | 3.60 | 2.6 | 11.7 | 7.62 | 7.27 | 0.65 |
| 1991 | | | 5.88 | 7.85 | 3.21 | | | 7.22 | 6.39 | 0.74 |
| 1st qtr.1991 | 4.4 | 3.1 | 6.69 | 8.01 | 3.48 | 2.4 | 6.0 | 7.96 | 6.54 | 0.75 |
| 2nd qtr.1991 | 5.2 | 3.4 | 6.03 | 8.12 | 3.18 | 3.3 | 3.7 | 7.70 | 6.71 | 0.71 |
| 3rd qtr.1991 | 6.0 | 2.5 | 5.79 | 7.85 | 3.10 | 6.6 | 2.8 | 7.11 | 6.41 | 0.76 |
| 4th qtr.1991 | | | 5.00 | 7.32 | 3.09 | | | 6.11 | 5.89 | 0.76 |
| January 1991 | 3.9 | 3.0 | 7.11 | 8.07 | 3.79 | 5.1 | 7.4 | 8.07 | 6.59 | 0.80 |
| February | 4.4 | 3.1 | 6.50 | 7.84 | 3.37 | 1.0 | 5.5 | 7.89 | 6.39 | 0.74 |
| March | 4.8 | 3.3 | 6.40 | 8.10 | 3.25 | 1.2 | 5.1 | 7.91 | 6.63 | 0.70 |
| April | 4.3 | 3.2 | 6.06 | 8.03 | 3.17 | 0.3 | 3.6 | 7.75 | 6.69 | 0.70 |
| May | 5.5 | 3.5 | 5.92 | 8.07 | 3.20 | 3.2 | 3.6 | 7.72 | 6.64 | 0.71 |
| June | 5.8 | 3.3 | 6.10 | 8.27 | 3.17 | 6.6 | 3.7 | 7.63 | 6.80 | 0.72 |
| July | 6.0 | 2.8 | 6.05 | 8.28 | 3.14 | 6.1 | 3.4 | 7.45 | 6.75 | 0.75 |
| August | 6.1 | 2.4 | 5.72 | 7.91 | 3.07 | 7.2 | 2.7 | 7.21 | 6.39 | 0.77 |
| September | 5.9 | 2.0 | 5.58 | 7.66 | 3.06 | 6.4 | 2.2 | 6.64 | 6.09 | 0.76 |
| October | 7.1 | 2.1 | 5.34 | 7.51 | 3.09 | 7.5 | 2.1 | 6.30 | 5.97 | 0.73 |
| November | 6.1 | 2.5 | 5.00 | 7.39 | 3.10 | 8.4 | 2.5 | 6.09 | 5.98 | 0.76 |
| December | | | 4.67 | 7.07 | 3.08 | | | 5.94 | 5.73 | 0.81 |

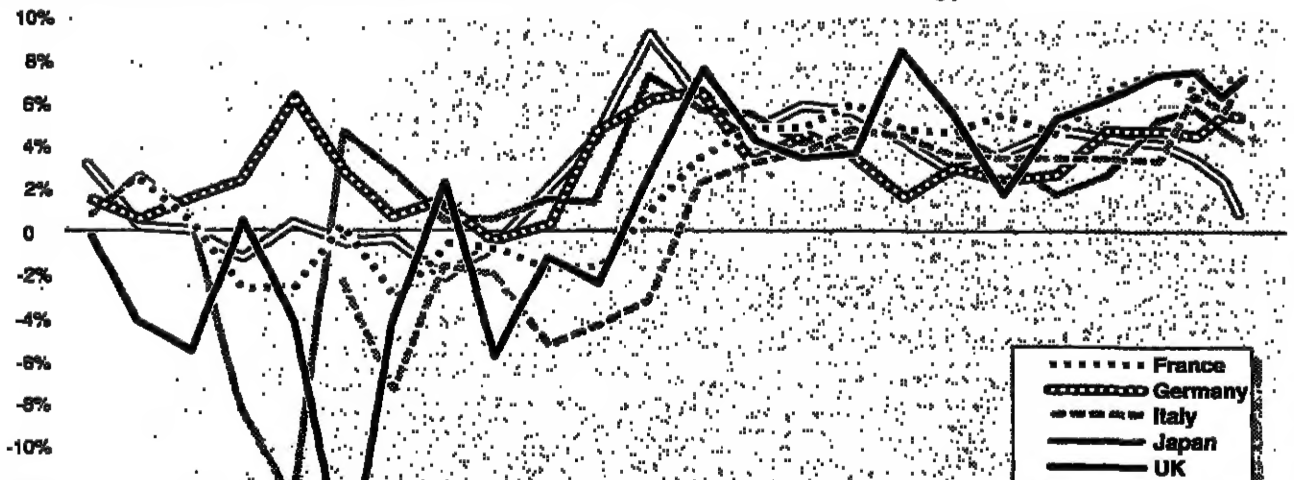
| | GERMANY Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield | FRANCE Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | 4.4 | 5.1 | 5.45 | 7.09 | n.a. | 6.2 | 7.4 | 10.03 | 11.74 | n.a. |
| 1986 | 9.9 | 8.3 | 4.63 | 6.19 | 1.79 | 6.9 | 6.7 | 7.79 | 8.74 | 2.65 |
| 1987 | 9.0 | 7.3 | 4.03 | 6.33 | 2.21 | 4.1 | 10.1 | 8.26 | 9.59 | 2.75 |
| 1988 | 9.8 | 6.4 | 4.33 | 6.59 | 2.61 | 3.8 | 8.5 | 7.94 | 9.02 | 3.69 |
| 1989 | 6.3 | 5.7 | 7.12 | 7.02 | 2.22 | 6.1 | 9.5 | 9.39 | 8.79 | 2.68 |
| 1990 | 4.5 | 4.5 | 8.49 | 8.83 | 2.11 | 3.9 | 9.2 | 10.32 | 9.87 | 3.19 |
| 1991 | | | 9.25 | 8.36 | 2.38 | | | 9.62 | 9.02 | 3.58 |
| 1st qtr.1991 | 6.3 | 5.5 | 9.17 | 8.43 | 2.51 | 0.5 | 7.8 | 9.65 | 9.30 | 3.64 |
| 2nd qtr.1991 | 5.0 | 5.5 | 9.11 | 8.26 | 2.25 | 1.1 | 7.1 | 9.43 | 8.95 | 3.48 |
| 3rd qtr.1991 | 5.2 | 5.8 | 9.24 | 8.43 | 2.31 | −0.1 | 6.4 | 9.54 | 9.04 | 3.60 |
| 4th qtr.1991 | | | 9.47 | 8.29 | 2.45 | | | 9.66 | 8.80 | 3.61 |
| January 1991 | 6.6 | 5.2 | 9.35 | 8.74 | 2.67 | −0.4 | 7.5 | 10.28 | 9.75 | 3.93 |
| February | 5.6 | 5.4 | 9.06 | 8.25 | 2.45 | 1.5 | 8.0 | 9.79 | 9.11 | 3.62 |
| March | 6.6 | 5.7 | 9.09 | 8.28 | 2.38 | 0.5 | 7.9 | 9.43 | 9.04 | 3.38 |
| April | 4.6 | 5.5 | 9.18 | 8.20 | 2.30 | 2.3 | 7.8 | 9.34 | 8.85 | 3.46 |
| May | 5.3 | 5.7 | 9.08 | 8.30 | 2.25 | 1.1 | 7.2 | 9.24 | 8.66 | 3.44 |
| June | 5.1 | 5.6 | 9.06 | 8.35 | 2.18 | −0.2 | 6.4 | 9.72 | 9.11 | 3.53 |
| July | 5.8 | 5.9 | 9.15 | 8.57 | 2.29 | −0.6 | 6.5 | 9.59 | 9.15 | 3.69 |
| August | 4.8 | 5.9 | 9.31 | 8.41 | 2.32 | 2.7 | 6.9 | 9.59 | 9.09 | 3.62 |
| September | 5.1 | 5.5 | 9.27 | 8.30 | 2.31 | −2.3 | 5.8 | 9.43 | 8.88 | 3.47 |
| October | 4.9 | 5.1 | 9.38 | 8.31 | 2.41 | −2.8 | 4.6 | 9.32 | 8.79 | 3.50 |
| November | 4.1 | 5.4 | 9.43 | 8.32 | 2.42 | | | 9.56 | 8.82 | 3.56 |
| December | | | 9.61 | 8.24 | 2.52 | | | 10.10 | 8.80 | 3.77 |

| | ITALY Narrow Money (M1) | Broad Money (M2) | Short Interest Rate | Long Interest Rate | Equity Market Yield | UNITED KINGDOM Narrow Money (M0) | Broad Money (M4) | Short Interest Rate | Long Interest Rate | Equity Market Yield | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1985 | 13.7 | 14.0 | 14.34 | 13.71 | n.a. | 4.7 | 13.2 | 12.32 | 11.03 | n.a. | 1985 |
| 1986 | 10.4 | 9.0 | 13.25 | 11.47 | 1.41 | 4.0 | 15.3 | 11.02 | 9.97 | 4.35 | 1986 |
| 1987 | 10.5 | 11.0 | 11.32 | 10.58 | 1.94 | 4.7 | 14.6 | 9.77 | 9.52 | 3.60 | 1987 |
| 1988 | 7.5 | 8.1 | 11.24 | 10.54 | 2.71 | 6.8 | 17.0 | 10.41 | 9.69 | 4.48 | 1988 |
| 1989 | 8.1 | 10.1 | 12.41 | 11.61 | 2.46 | 5.9 | 17.6 | 13.96 | 10.30 | 4.36 | 1989 |
| 1990 | 9.0 | 9.6 | 11.96 | 11.87 | 2.84 | 5.4 | 16.2 | 14.82 | 11.65 | 5.07 | 1990 |
| 1991 | | | 11.83 | 12.63 | 3.45 | | | 11.59 | 10.09 | 4.97 | 1991 |
| 1st qtr.1991 | 7.6 | 9.1 | 12.37 | 11.86 | 3.69 | 2.9 | 10.6 | 13.30 | 10.30 | 5.22 | 1st qtr.1991 |
| 2nd qtr.1991 | 7.6 | 9.5 | 11.51 | 12.67 | 3.21 | 1.7 | 9.1 | 11.64 | 10.34 | 4.84 | 2nd qtr.1991 |
| 3rd qtr.1991 | 7.6 | 10.6 | 11.60 | 12.86 | 3.31 | 1.9 | 7.1 | 10.62 | 9.96 | 4.80 | 3rd qtr.1991 |
| 4th qtr.1991 | | | 11.84 | 12.93 | 3.59 | | | 10.61 | 9.73 | 5.03 | 4th qtr.1990 |
| January 1991 | 6.6 | 8.4 | 12.48 | 12.04 | 3.96 | 3.4 | 11.2 | 14.02 | 10.53 | 5.60 | 1991 January |
| February | 7.5 | 9.2 | 12.45 | 11.90 | 3.64 | 2.8 | 10.6 | 13.32 | 10.12 | 5.19 | February |
| March | 8.6 | 9.7 | 12.17 | 11.84 | 3.43 | 2.6 | 9.8 | 12.49 | 10.25 | 4.82 | March |
| April | 6.6 | 8.5 | 11.74 | 13.07 | 3.36 | 1.6 | 9.9 | 12.02 | 10.17 | 4.74 | April |
| May | 7.8 | 9.7 | 11.39 | 12.82 | 3.24 | 1.6 | 9.6 | 11.59 | 10.32 | 4.85 | May |
| June | 8.5 | 10.4 | 11.40 | 12.72 | 3.02 | 1.9 | 7.8 | 11.30 | 10.53 | 4.95 | June |
| July | 7.0 | 9.3 | 11.54 | 12.90 | 3.24 | 2.1 | 7.8 | 11.14 | 10.26 | 4.91 | July |
| August | 7.9 | 11.3 | 11.69 | 13.04 | 3.31 | 1.6 | 7.2 | 10.94 | 10.01 | 4.76 | August |
| September | 8.8 | 11.2 | 11.56 | 12.65 | 3.39 | 2.3 | 6.5 | 10.37 | 9.66 | 4.73 | September |
| October | 8.5 | 11.0 | 11.40 | 12.83 | 3.51 | 2.6 | 8.3 | 10.45 | 9.72 | 4.83 | October |
| November | | | 11.66 | 12.92 | 3.58 | 2.9 | 5.6 | 10.54 | 9.77 | 5.00 | November |
| December | | | 12.47 | 13.05 | 3.67 | | | 10.64 | 9.70 | 5.25 | December |

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Short-term interest rates: period averages of; US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-Lira, UK – 3-month Libor. Source: Datastream. Long-term interest rates: period average yields on long-term benchmark government bonds. Source: Atlas/TFN. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

**Real short-term interest rates**

Short-term (3 month) market interest rates minus annual percentage change in GDP deflator over the coming year




Source: Datastream, OECD, IMF

All figures annualised averages except 1991 half yearly figures; 1992 January 1 figure

## European real interest rates rising

THE BURDEN of record levels of personal indebtedness and high real interest rates has weighed heavily on both US and UK consumers over the year. In the US there are signs that the gloom is beginning to lift: confidence about the future turned up in December. But UK consumers remain pessimistic.

One reason for the recent falls in UK consumer confidence is the persistently high level of UK real interest rates. While short-term real interest rates in the US fell sharply in 1991, UK real interest rates remain at least as high as in 1990. As a result, the gap between US and UK real interest rates is now wider than at any time in the past two decades.

It is not possible precisely to measure the current level of real interest rates. The real rate over the next year is equal to the current nominal interest rate minus the expected rate of inflation over the same period. The higher inflation is, the smaller will be the real value of the principal that must be repaid, and thus the cheaper is the expected real cost of borrowing at current nominal rates.

The difficulty is how to measure the inflation rate that borrowers expect in the future. Up to 1990, the chart uses annual averages of three-month nominal interest rates minus the actual inflation rate over the following year as a proxy for expected inflation. For 1991 and the latest figure, it uses OECD inflation estimates.

The chart has two striking features: the general rise of real interest rates in the 1980s compared to the previous decade for all the six largest industrialised countries; and the amount of variation in short rates across countries at any one time, and for each country from year to year.

Over periods of a decade or more, the level of real interest rates is not determined by the rate of growth of money but instead by the supply and demand for investment funds. In part the trend rise in real interest rates reflects the fall in the supply of private savings in the 1980s and the growth of first the US and now the German fiscal deficits; but studies have shown that the effect of government dis-saving on world real interest rates is much exaggerated. Probably more important was the rise in the demand for capital in the 1980s as profit rates rose.

Yet monetary policy does have a decisive impact on the level of real interest rates in the short-run, perhaps up to four years. For example, the sharp rise in real rates between 1978 and 1981 reflects a general tightening of monetary policy.

The divergence in real rates over the past year is caused by the different directions of monetary policy between Europe, and the US and Japan. US short-term interest rates have halved since 1990, while inflation is expected to remain low, reducing the real rate to below 1 per cent. Japanese real rates have fallen for the same reason.

The recent rise in German interest rates has pushed real European rates in the opposite direction. German real rates have stabilised because inflation is also expected to rise. But inflation is expected to fall in the UK, France and Italy. Consequently, the recent rise in French and Italian interest rates, and the expectation of a UK rise, have forced up real rates in all these countries, to the dismay of their recession-weary consumers.

**Edward Balls**

UK NEWS

# Labour clashes with Tories on taxation policies

By Alison Smith

CONFLICT between Labour and the Tories over the economy intensified yesterday as both parties heightened the atmosphere of election campaigning with attacks on each other's taxation policies.

Mr Norman Lamont, the chancellor of the exchequer, left open the possibility of tax cuts in this year's budget, while pledging that he would take no risks with the British economy. Speaking on television yesterday, he also claimed that Mr Neil Kinnock, the Labour leader, could not be trusted to run a free enterprise economy.

Mr Kinnock, meanwhile, promised a Labour government would reverse any budget tax rate cut, and accused the Tories of "mischievous and completely misleading" efforts to convince the public that everyone currently paying the 40 per cent tax rate would pay 50 per cent under Labour.

Mr Lamont's handling of the economy came under heavy fire from Labour and the Liberal Democrats for "paralysis" in the face of the downturn. And senior Labour spokesmen accused the chancellor of "peddling dishonesty" over Labour's plans.

On BBC radio yesterday, Mr Kinnock emphasised that plans for a 50 per cent top tax rate would affect only "people on well over £30,000 a year". Labour's plans to remove the ceiling on national insurance contributions would affect only people on £20,240 a year and over paying National Insurance contributions on all their income.

He also renewed Labour's promise to introduce policies "that will be combatting unemployment and recession directly, and at the same time building foundations for future economic growth."

Those two themes will be highlighted further this week. At a meeting of senior spokesmen tomorrow, Labour officials will discuss campaigning and the party's plan to accelerate recovery, while on Wednesday, the party will publish a document on the party's strategy for the economy.

Today the Tories begin a further campaign on Labour's taxation policy, headed by Mr Lamont and Mr Chris Patten, the Tory party chairman.

# Even the bad times are good for someone

**Tim Lawrence** reports on how industrial auction houses have benefited from the recession

WHILE the government talks down the prospect of a double-dip recession, behind the scenes industrial auctioneers are praying quietly that the bad times are here to stay.

Mr Brian Grainger, a professional services consultant at the Incorporated Society of Valuers and Auctioneers, says: "The recession has given auction houses a new lease of life."

According to Cork Gully, the insolvency arm of Coopers & Lybrand Deloitte, the accountant, the number of companies which went into receivership last year is expected to exceed 6,000 – more than four times the 1989 total. That means boom-time for auction houses called in to sell off assets. Auctioneers are moving into bigger premises, profits are up and staff are being recruited.

Henry Butcher, the plant and machinery specialist, is a typical beneficiary. In 1989 the company held 57 sale days. There were 92 in 1990 and more than 190 sale days last year.

Mr John Judson, principal auctioneer at Henry Butcher, says the mid-80s were a buoyant time, with healthy prices and about 60 sale days a year. But there is nothing like a downturn to boost income for auctioneers.

"The past year has been even better than 1982, with more sales at a higher value. Items are not fetching as good a price as in the late 80s, but the increased number of sales has added significantly to our income," Mr Judson says.

*Profits are also up at the* auction department at Weatherall, Green & Smith, the plant and machinery auctioneer. Stickley & Kent, which handles property repossessions, has tripled its auction staff, and the department is moving to larger offices in central London. The auction department at Edward Rushton, the international valuers and surveyors, says it has never been busier.

Different sales attract different people, but they share one trait: the desire to buy cheap. Specialist plant and machinery auctions appeal almost exclusively to dealers and industrialists. Other sales, such as a recent Henry Butcher auction for Prudential at which 1,600 IBM computers were sold for about £400 each, are more likely to attract the general public.

The auctions are often heady affairs. More than 1,000 people attend the big sales and takings can easily exceed £1m – from which the auction houses usually take a 10 per cent cut.

Auctioneers can also profit from the inexperience of bidders and the excitement of the occasion, which can lead bidders to pay more for a lot than its market price. At a recent Henry Butcher auction for a large property developer, the managing director's Bentley sold for £33,000, £6,000 more than its trade value.

Mr Judson stops the bidding when it gets ridiculous. "People often get carried away, especially when a couple of them have got it in for one another, but if they overbid it makes it difficult to collect any payment," he says.

While industrial salerooms thrive during recessions, they are keen to shed their image of being industrial vultures.

Auctioneers claim they are contributing to the preservation of Britain's manufacturing base, helping businesses which are strapped for cash to buy quality products at a bargain price.

The auctions, they say, are an effective way for receivers to realise capital in situations where assets have to be sold.

Environmental arguments are also put forward by the auctioneers, who argue that the sales provide an effective method of recycling equipment, machinery and premises which might otherwise be left to waste.

But the recession has not brought unmitigated prosperity for the sales houses, with the severity of the downturn posing a few problems. In some areas, for example, the market has been flooded – there are several night-clubs for sale in Oxfordshire at the moment – which makes it difficult to raise a realistic price.

Lydia van der Meer

**Screening the lots: industrial auctions in Britain can be a source of bargains for both companies and individuals**

Mr John Liddiment, head of the auction department at Weatherall, Green & Smith, says that customers are less bid-happy than they were in the late 1980s. In 1988 lots were being bid for at an average of 120 per hour at auctions. Last year it was down to 90.

*Mr Edwin Kirker*, head of insolvency at accountants Pannell Kerr Forster, says: "People are not flocking to auctions with money and it is difficult to make money because there is so much stuff on the market. A buyer can usually turn to at least two or three receivers to get what he wants."

Some auction houses are struggling. Property auctioneers are selling more houses than ever before, but prices have plummeted. At Barnard Marcus, the estate agent and property auctioneer, houses are selling for £30,000 to £100,000 rather than up to £500,000. Overheads have gone up as well as turnover, and overall takings are down by 50 per cent.

The art auctions are also struggling. The three big money-spinners – Impressionist, Modern and American contemporary works – have all fallen flat. Sotheby's and Christie's have experienced a sharp fall in turnover and profits.

Henry Butcher might not like it, but in some quarters at least, a recovery would be good news.

# Port sell-off faces legal threat from MBO team

By Financial Times Reporter

THE government's port privatisation programme will face a crucial test this week as the team planning a management buy out (MBO), which lost out in its bid to buy the Tees and Hartlepool port in north east England, challenges the decision.

Mr John Hackney, who led the buy-out team, is seeking an urgent meeting with Mr Malcolm Rifkind, the transport secretary, to persuade him to reverse the decision.

If he does not, Mr Hackney said his team would seek a judicial review of the decision which was taken by the Tees and Hartlepool Port Authority. Mr Rifkind has to approve the authority's decision.

The authority announced just before Christmas that Teesside Holdings, a consortium made up of engineering and distribution group Power Duffryn, the 3i venture capital concern and Humberside Holdings, a private company, had won with a bid of £180m.

Mr Hackney said: "We have taken legal advice and the view is that there are certainly grounds for a judicial review."

The management's challenge to the decision to sell the port to the a Powell Duffryn consortium will be closely watched by executives at other ports planning privatisation.

Three other ports, Clyde, Medway and Tilbury, have put themselves up for sale under the 1991 Ports Act which allows the privatisation of the 114 trust ports.

The government has responded to criticism of its decision by allowing Forth port authority, responsible for Clyde, to consider a stock market flotation.

# Travel trade suffers as recession hits demand

By Michael Skapinker, Leisure Industries Correspondent

THE recession and and the Gulf war resulted in Britain experiencing its biggest annual net loss of travel agents and tour operators, according to figures published today by the Association of British Travel Agents (Abta).

The association said it granted membership to 180 travel agents last year but 346 went out of business, resulting in a net loss of 166. The most common reason for ceasing to be Abta members was financial failure, although 77 travel agents were taken over or merged with other companies.

Seventy new tour operators became Abta members, but 110 went out of business, including Mr Harry Goodman's International Leisure Group, which was then Britain's second largest travel company.

Abta said the rate of failures slowed during the year. In the fourth quarter 67 travel agents and 19 tour operators closed – the lowest level since the summer of 1990.

The association said it expected the number of travel companies to continue to fall this year in spite of a 20 per cent increase in demand for winter breaks and an 8 per cent rise in summer holiday bookings.

● Forte hotels are more widely known than those of any other large UK hotel group, according to a survey carried out by NOP, the polling organisation.

When asked to name hotels of which they were aware, 89 per cent of business travellers mentioned a Forte hotel. Hilton hotels were mentioned by 38 per cent of business guests, followed by Holiday Inns, mentioned by 36 per cent.

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# Social affairs to be government's EC priority

By Alison Smith

PROGRESS on health and safety and the free movement of workers are likely to be the priorities for work on the social action programme during the UK's presidency of the European Community in the second half of this year.

The British government also aims to use its six-month presidency to persuade other EC countries of the validity of its approach to employment policies.

Following the UK's refusal to accept an extension of EC power in the employment field at the Maastricht summit in December, the government is keen to make clear the importance it attaches to social affairs, which has been chosen for one of only seven informal ministerial meetings planned for the presidency.

In spite of some suggestions that the social chapter refusal could embarrass the UK during its presidency, officials now seem to expect less difficulty from that than from the continuing disagreements about the directive on a 48-hour working week.

On health and safety, government plans include work on a directive about the protection of workers in the North Sea oil and coal industries, and progress on setting up an EC institute of occupational safety and health, which the UK has urged should be sited in Edinburgh.

An international conference on risk assessment is planned, which would tie in with the European year of health and safety beginning in March.

Work to resolve social security issues relating to the movement of workers, such as portable pensions, will also be high on the agenda.

The government intends to press ahead with an initiative launched by Mr Michael Howard, employment secretary, during the Dutch presidency, on what is offered by public employment services, and will be looking to improve the system for giving notification of job vacancies on an EC-wide basis.

Even if there was a change

**EMPLOYMENT**

of government as a result of the general election, much of that work would continue.

Mr Tony Blair, shadow employment secretary, said yesterday that an incoming Labour government would create a better climate for the discussions with an early commitment that the UK would accept the social chapter.

● British employers will not be able to opt out of the social chapter because union negotiators will incorporate its precepts into their bargaining, according to Mr John Edmonds, general secretary of the GMB general union.

Mr Edmonds, speaking at a weekend conference in Oxford, said: "British employees will not put up with second-class status and they are looking to their trade unions to negotiate equal conditions with Europeans."

# Muted response to Clarke proposals

By David Goodhart and Alison Smith

PLANS by Mr Kenneth Clarke, education secretary, to demolish the current structure of graduate teacher training in favour of a mainly classroom-based system have received a surprisingly muted response from the teaching unions and the Labour party.

Most union leaders argued with some aspects of Mr Clarke's plan and emphasised the importance of adequate funding. But they did not disagree with the principle of shifting more training to the classroom.

The harshest criticism came from Mr David Harrison, chairman of the committee of vice-chancellors and principals, who said there was no evidence that secondary-school training was failing.

Mr Clarke's plan would shift the ratio of classroom to academic training from 40:60 to 80:20 and would transfer the financing and administration of training to selected schools.

A report at the weekend from the schools inspectorate on school-based training, also published at the weekend, said the principle was sound. But it cast doubt on the practicality of Mr Clarke's plan by stating: "The prime purpose of schools, and the one to which governors and head teachers give priority, is to teach pupils, not to train students."

Mr Clarke's plan, due to be introduced in the autumn, has a strongly political dimension. It will probably form the centrepiece of the education proposals in the Conservative manifesto and is part of the government's attempt to blame falling educational standards on the "progressive" educational theories still supported in many teacher-training colleges.

But the union response suggests that it is unlikely to turn into a populist election issue for the government with Labour and the unions on the side of the "experts" and the Conservatives backing "ordinary parents".

Even the National Union of Teachers, the most militant of the teaching unions, said the government's plan would not alarm teachers "provided it is properly prepared and planned and given the necessary resources".

Mr Nigel de Gruchy, general secretary of the National Association of Schoolmasters and Union of Women Teachers, said Mr Clarke was pushing a good idea too far and proposed equal shares for classroom and academic training.

# Increase reported in use of performance pay

By David Goodhart, Labour Editor

PERFORMANCE pay is gradually filtering down organisations from executives to the shopfloor, according to a survey by Incomes Data Services, the pay analysis organisation.

IDS remains sceptical about many aspects of performance pay and says pay policies designed for a period of competitive expansion may not be suitable for harsher times.

A survey of IDS's subscribers shows that 25 per cent of companies have an element of merit pay for manual workers. For salaried staff, more than 80 per cent use merit awards.

IDS says a surprising number of companies have a uniform "general plus merit" policy for all employees but few companies have wanted, or been able, to introduce an entirely merit-based approach.

This contrasts sharply with France where companies have adopted merit pay on such a scale that less than half the manual workers covered by the annual Ministry of Labour survey receive a standard general increase. Nine out of 10 of France's biggest companies had a "general plus merit" policy in 1990.

In Britain merit pay systems introduced for manual workers focus on skills assessment and acquisition, usually associated with new working methods.

*IDS Focus, 193 St John Street, London EC1V 4LS. By subscription.*

# Researcher explains what's in a name

By Diane Summers, Labour Staff

NAMES that workers give their machines could provide factory managers with clues about boosting productivity, say occupational psychologists.

Workers who give their machines menacing nicknames such as Frankenstein, Godzilla or Big Brother are likely to feel controlled by the technology, express lower job satisfaction and be less productive, the researchers say.

Those who give their machines more friendly names, such as Winston, R2D2, Bob or Mildred, are likely to feel greater job satisfaction and be more productive workers.

The study, being presented today to the annual conference of the British Psychological Society on psychology and work, was carried out among skilled manufacturing workers in engineering and electronics plants.

All those studied were using advanced computer-based technology and almost all personalised their machines with pet names.

The less scope the machines left workers to set their own pace or decide their own working methods, the more likely it was that negative or authoritarian-sounding names would be given.

The more affectionate names were reserved for machines that allowed greater room for initiative and which perhaps sometimes performed less than perfectly. One worker said he called his machine Gazza because it "sometimes breaks down and leaks cooling fluid".

Dr Martin Corbett of Warwick University Business School, who wrote the report, said workers with the least job satisfaction felt the machines in their factories were treated more humanely than the people.

When the machines performed well the credit went to the technology; when machines went wrong workers were blamed.

His study concludes that supervisors need to make a conscious effort to praise work done well by humans.

Dr Corbett said managers who found their workers were giving negative names to their machines should examine job design, otherwise they risked losing out on productivity as well as experiencing unnecessary turnover of skilled staff.

"Managers over-emphasise the importance of getting the technology right at the expense of the people issues," he added.

# London weighting improved

By Michael Smith, Labour Correspondent

LONG-SERVING London staff at Yorkshire Building Society have become one of the first groups of employees to be paid more than £4,000 a year extra for working in the capital.

The deal, which means staff with five years' service in the capital will enjoy a weighting allowance of £4,110, will add impetus to union campaigns for London workers to receive higher allowances.

The new top rate at Yorkshire, which is available to staff within five miles of central London, compares with rates of between £3,200 and £3,600 paid by the big four clearing banks.

Central London staff at Yorkshire with less than two years' service will be paid £3,420 (previously £3,318) extra and those with between two and five years' service will be paid £3,759 (£3,651).

The previous rate for staff with five years' service was £3,984.

Financial services companies have traditionally set the pace in raising London weighting. In recent years rises have been small as the recession has eased the recruitment and retention problems companies experienced in the late 1980s.

# Increase in mergers and acquisitions predicted

By Peter Montagnon

MERGER and acquisition activity should revive this year as financial pressures make companies more willing to dispose of non-core assets, according to a review of corporate finance activity by Robert Fleming & Co, the merchant banker.

The bank said disposals slid to £9.97bn last year from £16.5bn in 1990 as values were depressed by the recession.

As a result companies were forced to rely heavily on rights issues to raise cash. The unwillingness of companies to dispose of assets was also one reason behind the further fall in mergers, with successful acquisitions of private and public companies falling to £11.27bn from £16.09bn in 1990.

The bank said, however, it believed companies would be pushed more towards disposals this year.

Institutional liquidity would be stretched by the higher public-sector borrowing requirement as well as reduced insurance premiums and pension contributions. That would mean less cash available for subscription to rights issues. Competition for equity finance would increase, the bank said.

Debt markets were likely to remain tight as banks continued to be reluctant lenders given the recent scale of corporate failures and consequent write-offs.

● Managers wanting to buy their own companies are beating off the recession, a survey published today shows.

During the final quarter of last year £940m was spent on management buy-outs – the most since the market peaked in the third quarter of 1989, figures from KPMG Peat Marwick, the accountant, show.

The total amount spent on buy-outs had fallen since the third quarter of 1989, reaching a low of £300m at the start of last year.

However, the total for the fourth quarter of last year was still well below the highest-ever total of £3.57bn, and the total amount for last year was less than was spent in each of the last four years.

Mr Chris Beresford, head of KPMG's management buy-out section, believed that the high level of activity would continue this year and would easily beat the £2.6bn spent last year.

The uncertainty caused by the general election was forcing the pace in some buy-outs where the management was keen to complete before the election took place.

# Miners shift their efforts to fresh fields

**Chris Tighe** reports on County Durham's moves to compensate for the loss of its pits

EARLY this year a group of leading employers will go underground at one of County Durham's collieries.

The visit, arranged by British Coal Enterprise, the state-owned company's job-creation arm, is intended to prove that the image of pitmen as primitive militants, grimly hacking at the coalface with picks, is a myth. Modern miners, the message runs, are skilled team-workers operating machinery worth millions of pounds.

The trip has been organised because today's miners in this former colliery heartland are tomorrow's unemployed. In the Durham coalfield, which in 1951 employed 104,000 men in 129 pits, just 5,000 now work in four collieries, two in Tyne and Wear and two on the east Durham coast.

East Durham lost two of its last pits, Dawdon and Murton, last year. Few locals would bet on the last survivors, Easington and Vane Tempest/Seaham, continuing for long. Mr Brian Wright, brought in from South Wales as British Coal's new north-east director, has been dubbed "Terminator Two" by Durham miners.

Staff at the British Coal Enterprise Job Shop in Dawdon are bracing themselves for long queues after the holiday break. "Get a job" will be many local ex-miners' New Year resolution. British Coal's announcement last week that its supplementary redundancy payments of up to £10,000 per head are to end in March has increased the likelihood that most of the 929 men at Murton, which closed five weeks ago, will opt to leave the industry rather than transfer to pits with an uncertain future.

Battered by the loss of more than 10,000 mining jobs in the last decade, east Durham's Easington district epitomises the difficulties facing Britain's declining coalfields.

Although the postwar development of Peterlee new town has helped boost manufacturing employment locally by 2,500 jobs since 1981, the pace of new job creation has lagged behind mining job losses. The district has 6,000 fewer jobs than in 1981 and a male unemployment rate of more than 20 per cent. The recession and the knock-on effects of mining's rundown are biting too.

Facelift: the Welsh Development Agency is stepping up its drive to reclaim old coal-mining tips, Anthony Moreton writes. South Wales in particular had thousands of tips, the result of more than two centuries of dumping pit waste on land next to collieries. Gwyn Griffiths, director of land reclamation at the agency, said: "Our target is to clear all major industrial eyesores by the mid 1990s. This will involve the reclamation of 30,000 acres."

Mining has bequeathed environmental scars – once-golden beaches have been reduced to black quagmires by the dumping of colliery spoil, sludge and sewage. Its ebb is leaving rundown villages and dereliction.

Because decline has been gradual the area has missed out on the special government help focused on communities hit by more dramatic closures. East Durham is also handicapped by powerful competition for inward investment from government-backed development corporations in neighbouring Tyne and Wear and Teesside.

Alarmed at the area's "death by a thousand cuts", Durham County Council spearheaded the launch of the East Durham Task Force in September last year. It is pressing for £158m over the next decade to revitalise the economy and environment.

Mr Kingsley Smith, Durham County Council's chief executive and the task-force chairman, said: "We believe it is essential that 8,000 new jobs are created over the next 10 years if the area is to have any chance of recovery."

But Professor Ray Hudson of Durham University has suggested in a report on Easington district that even £158m and 8,000 new jobs might not be enough.

And one of the task force's main hopes of finance – the European Commission's money for regenerating former mining areas – is still held up by a dispute between the government and Brussels.

British Coal Enterprise remains optimistic, however. Since 1984 it has invested £7.5m in 261 job-creating projects in the Durham coalfield, and is spending £1m a year on redundancy counselling and training for Durham's ex-miners. It estimates that of 1,000 who sought its help in 1989 and 1990, 91 per cent were resettled in work or training. Because of the recession the 1991 figure will fall to about 80 per cent.

British Coal Enterprise's determined push to resettle ex-miners may be bad news for other jobseekers. Mr Ron Lee, BCE's Dawdon manager, said: "Even the job centre will say we offer very stiff competition for them. It's a vicious world and we're in at the deep end."

The hardest men to place, he said, were those wanting to work locally. "They picture a nice steady little job, nipping home for lunch – these jobs don't exist."

Mr Benny Salmon, who worked for 28 years as an underground maintenance worker and was made redundant a year ago, will vouch for that, after writing in vain to 327 Durham-based companies. Mr Salmon, aged 45, has two plastic bags of rejection letters and thinks age must be against him.

Last year was not without triumphs: he learned to cook and iron well, raised a family of pigs on his allotment and paid off the mortgage on his former council house in Seaham, using some of his £30,000 redundancy money. But his goal, a modestly paid job in his home area, still eludes him.

He said: "I thought if I went with the first wave from Dawdon I would have better prospects of getting a job, before everybody else went. But the prospects are very grim."

# Credit-card issuers expected to decrease

By David Barchard

SMALLER credit-card issuers are likely to be squeezed out of the market in the next few years, according to Barclaycard, the largest UK payment-card issuer.

Barclaycard says that with 76 different credit-card schemes in the UK there is is overcapacity in the market. Some cards will be sold to larger issuers and others may disappear completely.

Barclaycard says that the pressure on smaller issuers was shown recently by the decision of the Halifax building society to increase the interest rate on its card from 1.8 per cent a month to 1.95 per cent from January 3.

It predicts that new entrants to the payment cards market, such as the building societies, will issue debit cards such as Switch or the Visa Delta card rather than credit cards.

Debit-card usage is set to grow by more than 30 per cent this year, mostly at the expense of cash and cheques.

The more mature credit-card market is also growing, but at a slower rate. Barclaycard forecasts that it will grow by about 5 per cent this year. It says the credit-card market has been boosted by a recent decision by J. Sainsbury, the food retailer, to accept credit cards.

Marks and Spencer and the John Lewis Partnership are now the only large retailers which do not accept credit cards.

Barclaycard forecasts that large issuers will have to find additional incentives to ensure that their customers remain loyal to them. These will include:

● purchase protection insurance cover;

● Ecu-based accounts for customers who travel frequently in Europe;

● improved international cash machine networks to enable cardholders to obtain cash from just about any machine in any country.

Barclaycard says it plans to expand its operations in the European card market. It already issues cards in Germany, France, and Spain.

It warns, however, that fraud is growing and banks will have to step up their co-operation against fraud.

# Bidding for BTG ends today

By Michael Skapinker

BIDS CLOSE today for consortia hoping to buy the state-owned British Technology Group (BTG), with offers expected from management and staff, trade unions and universities.

Potential foreign buyers are expected to feature among the bidders, none of which will be permitted to own more than 15 per cent of the group.

The government decided to rule out a sale to a single buyer after fears from universities that BTG, which plays a key role in commercialising their research, would neglect the long-term needs of the academic world. BTG, which makes its money on patents, saw profits fall 32 per cent last year to £6.5m on revenues of £30.7m.

Among organisations that have expressed an interest in BTG are 3i, the UK venture capital group, and a group of contract research organisations headed by Sir Ronald Mason, former Ministry of Defence chief scientist.

**FINANCIAL TIMES**

Published in

LONDON ● PARIS ● FRANKFURT ● NEW YORK ● TOKYO

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# Sharp rise in number of profit-related pay schemes

By Andrew Jack

THE NUMBER of companies with profit-related pay schemes rose to 1,277 in the first quarter of last year, representing 350,000 employees, government statistics show.

Increases in personal equity plans and tax-exempt special savings accounts and trends in taxable benefits are among the other elements highlighted in the Inland Revenue's annual statistical compendium.

The number of employees covered by profit-related pay schemes rose 90 per cent between March 1989 and March 1990 after the threshold for tax relief on profit-related pay was increased to £3,000 in the 1989 Budget. It grew 51 per cent in the 12 months to April 1991, just after the threshold was increased to £4,000.

Tessas, the five-year tax-exempt savings accounts which were launched at the start of 1991, contained £6,427m held in 2.47m accounts by the end of June 1991. That represents an average deposit of £2,528 in each account against a maximum of £3,000 permissible during the first year of operation.

About two-thirds of both the number of Tessa accounts and the money they contained were held with building societies and the remainder in banks.

Personal equity plans, which waive capital gains tax and income tax on dividends within certain limits for investors in UK shares, had been taken out by 1.47m individuals to a value of £3.88bn by the end of the 1990-91 tax year.

The number of companies benefiting from the government's Business Expansion Scheme, introduced in 1983 to provide tax relief on new equity investment in unquoted UK companies, rose to 6,050 in 1989-90, representing £1.41bn.

Mortgage interest relief cost the exchequer £6.38bn at current prices in 1988-89 and is projected to rise to £7.7bn for 1990-91 on behalf of 9.4m claimants.

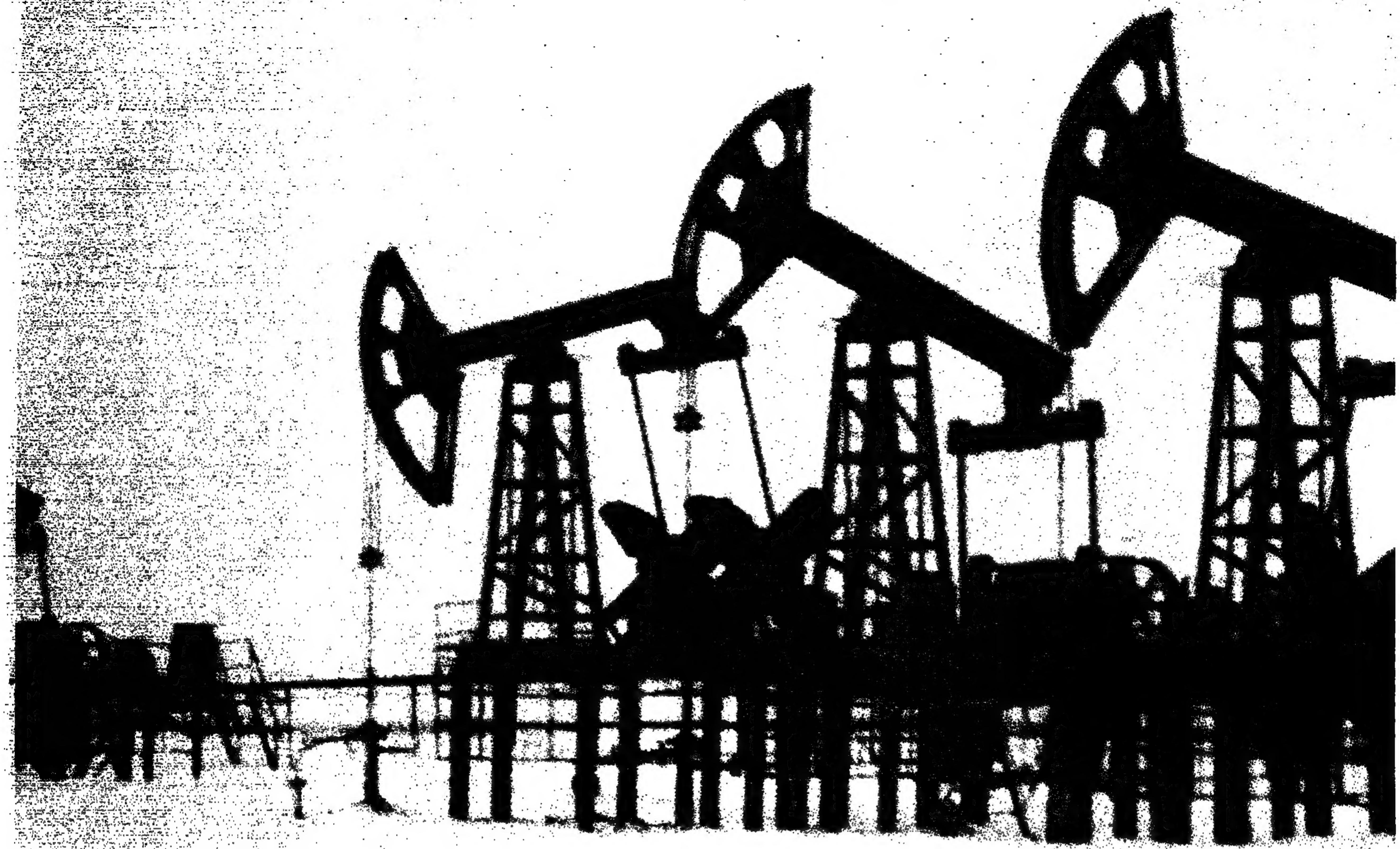
Taxable benefits were £3.86bn for the 1988-89 tax year, which incurred liabilities of £1.21bn. Cars were the most common benefit, representing 1.75m people, followed by private medical insurance (970,000 people), fuel (950,000) and home telephones (420,000).

The number of income tax payers for the current year is estimated to be 25.1m, with 355,000 paying corporation tax, 165,000 paying capital gains tax and 30,000 inheritance tax.

Total tax collected by the Revenue rose 7 per cent to £82.32bn in the 1990-91 fiscal year, representing 59 per cent of all central government tax revenue.

Most of the remainder came from Customs and Excise. This is expected to rise by 12 per cent to £62.2bn in 1991-92, reducing the contribution of the Revenue to 56 per cent of all government tax revenue.

*Board of Inland Revenue, Inland Revenue Statistics 1991, HMSO, £17.92.*



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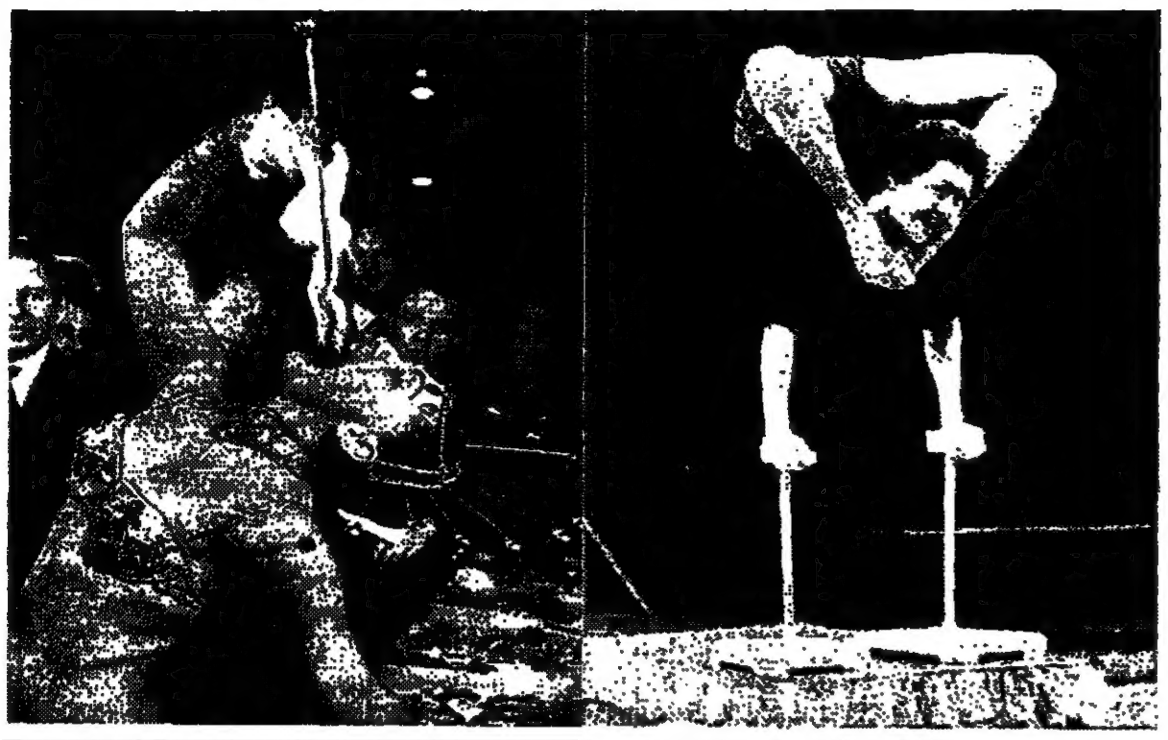
# Fire-eaters and contortionists

**Richard Lapper** looks at the lengths direct writers go to



These ladies fall over themselves backwards to sell motor insurance and service claims quickly

A casual visitor to the Bristol offices of The Insurance Service would be surprised. The company's 120 telephone sales staff are organised in teams calling themselves the Reeboks, the Fire Eaters and the Contortionists. Their motto is "we bend over backwards to serve you", and they compete fiercely both to sell motor policies and service claims quickly, producing a buzz not usually associated with the insurance industry.

Yet the energy immediately detectable at TIS, Direct Line, Churchill or any of the other half a dozen direct writers, is more than superficial.

Direct writers are a growing success story in an industry currently suffering its worst ever losses. They use a combination of computerisation, telesales and sophisticated mass media advertising to sell insurance. They are building up a growing share of the UK's £5bn a year motor insurance market and their innovative organisation and management techniques are making waves in the staid world of UK insurance.

Direct Line, the longest established direct writer established by the Royal Bank of Scotland in 1985, has already made a fortune for its founder – Peter Wood – whose salary last year after bonuses amounted to £1.8m, making him one of the best paid people in the country.

Direct Line's last reported profits of £10.5m stand out like a beacon in an industry drowning in a sea of red ink and Direct Line's rivals – in particular Churchill, a subsidiary of Winterthur, the Swiss company, and TIS, which is owned by Royal Insurance, appear set to emulate its achievement.

Martin Long, managing director of Churchill, attributes the success of direct writers to radical rethink of "the way things were done" in the insurance industry. "We have taken an entirely different view of what customers want", he says.

One of the most decisive moves has been the decision to sell direct to customers rather than via the high street brokers who have historically dominated insurance retailing. By paying less money in commission (brokerage commission typically amounts to 10-15 per cent of premiums) direct writers can offer more competitive rates to their customers at the expense of insurance brokers who have traditionally dominated UK insurance retailing.

At the same time much of the duplication of paper work – the despatch of a cover note separate from an insurance certificate for example – has been eliminated.

But there is more to their success than cutting out the middleman. Within their own organisations the direct writers have broken decisively with the bureaucratic systems developed by the UK composites and are adopting flat management structures and flexible work organisation which allow them to reduce costs, improve quality and obtain better underwriting results than rivals clinging to conventional methods.

In discussions with the managers of direct writers two themes emerge again and again: control and quality of service.

Typically insurance companies employ large numbers of people who are technically proficient often with a long professional training in skills like underwriting (assessing a risk and deciding what premium should be attached to it) and claims management.

By contrast, at the direct writers underwriting decisions are incorporated in the computer software used by the telesales personnel when they sell the policy. A caller is simply asked for his or her details (how old they are, where they live, what car they drive, and so on) and this is keyed into the software program which automatically produces a quotation.

As well as allowing very rapid response to customer inquiries and a good quality of service, computerisation gives management a much greater degree of control over their underwriting than in a typical insurance company.

While Direct Line often rejects risks that it thinks certain to produce claims – comprehensive cover for a young driver of fast car living in an inner-city area for example – companies selling policies through brokers have much less control over the business they accept.

Direct writers can more quickly change the rating of risks that produce losses. Prices can be adjusted much more frequently than a traditional company. Richard Hill, managing director of The Insurance Service, says that he can change prices within four days, up to a month in advance of his rivals.

The management structures of direct writers are flat, with three or at the most four layers of management compared with perhaps 10 in a typical insurance company.

The managers like Long and Hill make much of their accessibility. "I still talk to the staff, and they still talk to me," says Long. This more open and fluid environment allows for quicker decision-making but also poses more demands on both management and staff. In the non-hierarchical environment managers have to earn status and position, says one manager. "It's not given to you." Information flows are more fluid. "It's simply not possible to use information as part of a power game."

Within this context the main skill required of the telesales operator – who make up up to two thirds of a typical direct writer's staff – is the soft sell. "We don't force products on people," says one manager. Staff have to attach equal importance to providing the right kind of policies and helping customers to fill out application forms, for example. "The customer has to think that there is someone intelligent on the other end of the line," says one manager.

Martin Bateman, who spearheaded the Danish company Top UK's drive into the UK motor market, says he looks to recruit telesales staff from Marks and Spencer and Bodyshop. "Up to two-thirds of our staff spend their time talking to customers," he says.

"I don't want anyone who's worked for an insurance company. We recruit 'up people' . . . Exciting people. You can't teach people to smile," says Long. Most telesales staff at TIS are in their early 20s, with some older women working part-time.

Whereas pay in insurance companies is tied to management grade and promotion conditioned by time in the job as well as ability, pay in the direct writers is more closely related to both individual performance.

Typically telesales staff might earn a basic wage of between £8,000 and £10,000 a year. This can be increased – usually by between 20 and 30 per cent – by a range of bonuses relating to the number of calls answered, the number of quotes made, the number of sales of mistakes and cancellations. In one company as many as 10 per cent doubling their wage to £20,000 and one high-flyer earns as much as £30,000 a year, although this involved working substantial periods of overtime.

Supervisors – who are in charge of a team of perhaps ten to twelve telesales personnel – earn more and earn up to half their pay in the form of bonuses with the level reflecting the team's achievement.

Indeed the management of the direct writers has more in common with the retail business than financial services, with a strong emphasis on quality of service. Long compares the direct writers with fast-food outlets. "I'm running the company on industrial lines rather than insurance lines," says Long.

Flexibility is a major feature of work organisation, partially because companies are still experimenting and refining advertising techniques measuring the public's response to advertisement campaigns and adapting systems quickly to respond. Extra staff are needed to respond to the extra workload and great use is made of casual and part-time labour.

This is one of the main reasons why trades unions have not been invited to represent any of the telesales staffs. According to Bateman: "Union representation would make it difficult to organise shift patterns. It would involve very much more management time to do this in a more structured way."

Long says unions are not needed and that his staff have made no demands. "It is a rewarding and demanding atmosphere. Most insurance companies are neither demanding nor rewarding."

# Protecting the secretary bird

**By Ronald Severn**

As more about Robert Maxwell's misdeeds and misbehaviour becomes known, everybody is asking: how could it all have happened? Why didn't his accountants, bankers and auditors stand up to him? And what can be done to make it easier to expose business tyrants in the future?

A starting point could be to give more support to the company secretary. They are, or should be, privy to all the confidential deliberations and secrets of the board and the company. They are therefore in the best possible place to see malpractice at its very beginning.

There is a great deal of ignorance of what the company secretary is or does, and the job description has traditionally been one of the most difficult to write.

The secretary is the most senior executive in the company below board level. The secretary's status has changed greatly in the last 100 years. At the end of last century he was considered a mere servant, did what he was told, and had no authority to represent anything at all. In 1948 Parliament recognised him by statute, and that year's Companies Act provided for the first time that every company had to have a secretary. In 1971 Lord Denning treated the secretary as the chief administrative officer of the company, and the Companies Act of 1980 took another step forward in providing that every public company must have a properly qualified secretary, as defined in the Act.

Today, the secretary is sometimes thought of as "the conscience of the company". Among his responsibilities, which include ensuring compliance with the law, is a duty to guide his board, collectively and individually.

Most chairmen and directors do not have to be challenged. But there are exceptions, largely unknown outside a comparatively small circle. They contain the scandals of tomorrow.

Company secretaries have mortgages, families and responsibilities. They know that the likely consequence of telling an overpowering chairman that he cannot do what he is proposing to do is the loss of their job. Tyrannical tycoons are, by definition, hirers and firers, not accustomed to being frustrated by employees and easily capable of removing the cause of the obstruction.

Nevertheless, the secretary could be in the ideal position to stop, or at least reduce, the possibility of boardroom malpractice. But they do need the kind of legal protection given to directors and auditors.

In principle, company directors and auditors can only be removed from their respective positions by a vote of shareholders in general meeting. A proposal to remove either of these officers has to be made to the company concerned by a shareholder, and the company must then give notice to all the other shareholders that such a resolution is to be proposed at an annual or extraordinary general meeting.

The protection against removal goes further. Upon receiving notice of a resolution to remove a director or the auditor, the company must send a copy of that notice to the person involved. That person is then allowed to be heard at the meeting in his own defence, and also to circulate to all shareholders written representations on his own behalf, stating his case. This naturally means publicity.

These statutory provisions are to safeguard independence. It is not to be supposed that if the law were altered there would be a spate of general meetings to remove secretaries.

Indeed, the very opposite would be the case. The mere existence of legal protection would in itself provide the sanction against removal in public, and would give the secretary the security he at present lacks when advising strongly against what he knows or believes to be wrong.

The emblem of the Institute of Qualified Company Secretaries is a secretary bird. I suggest that, for the benefit of the business world, it should become a protected species.

*The author is a company secretarial consultant.*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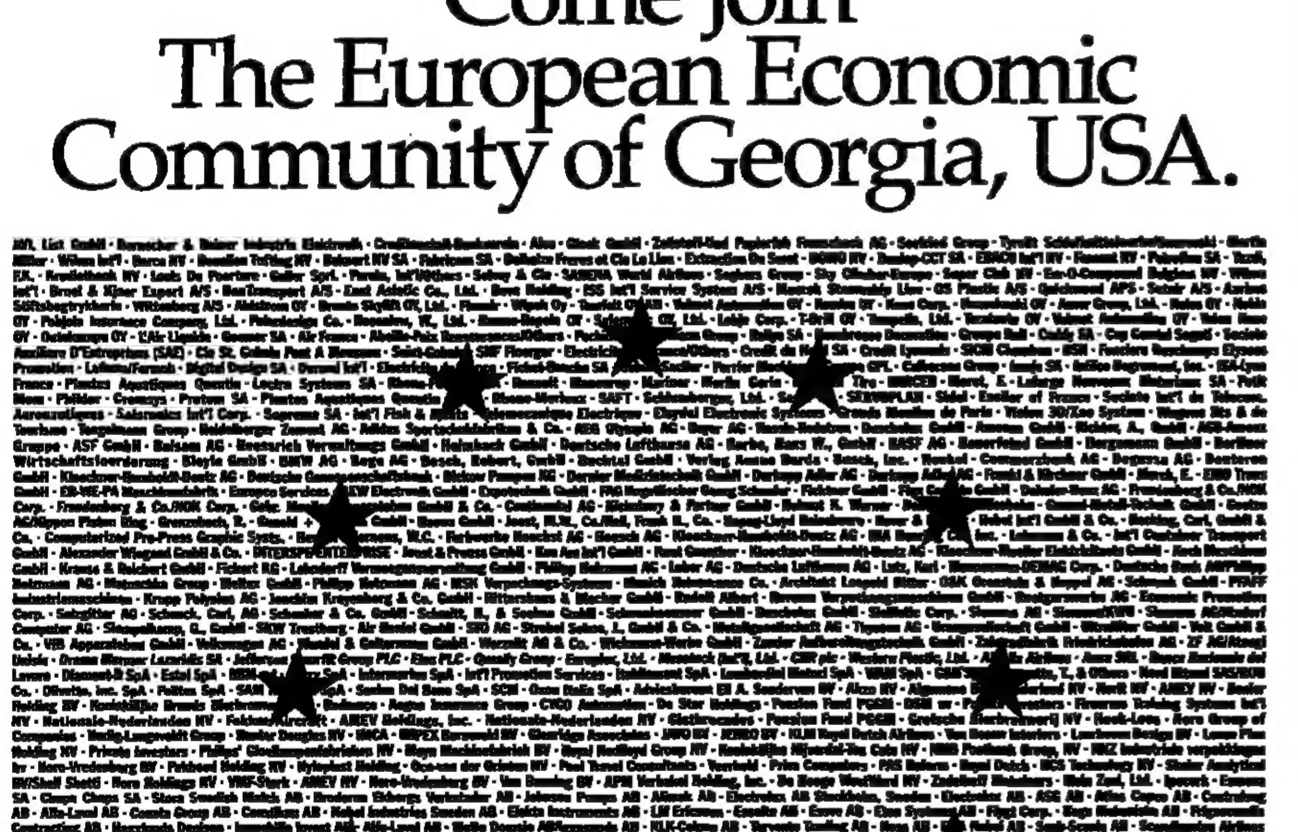

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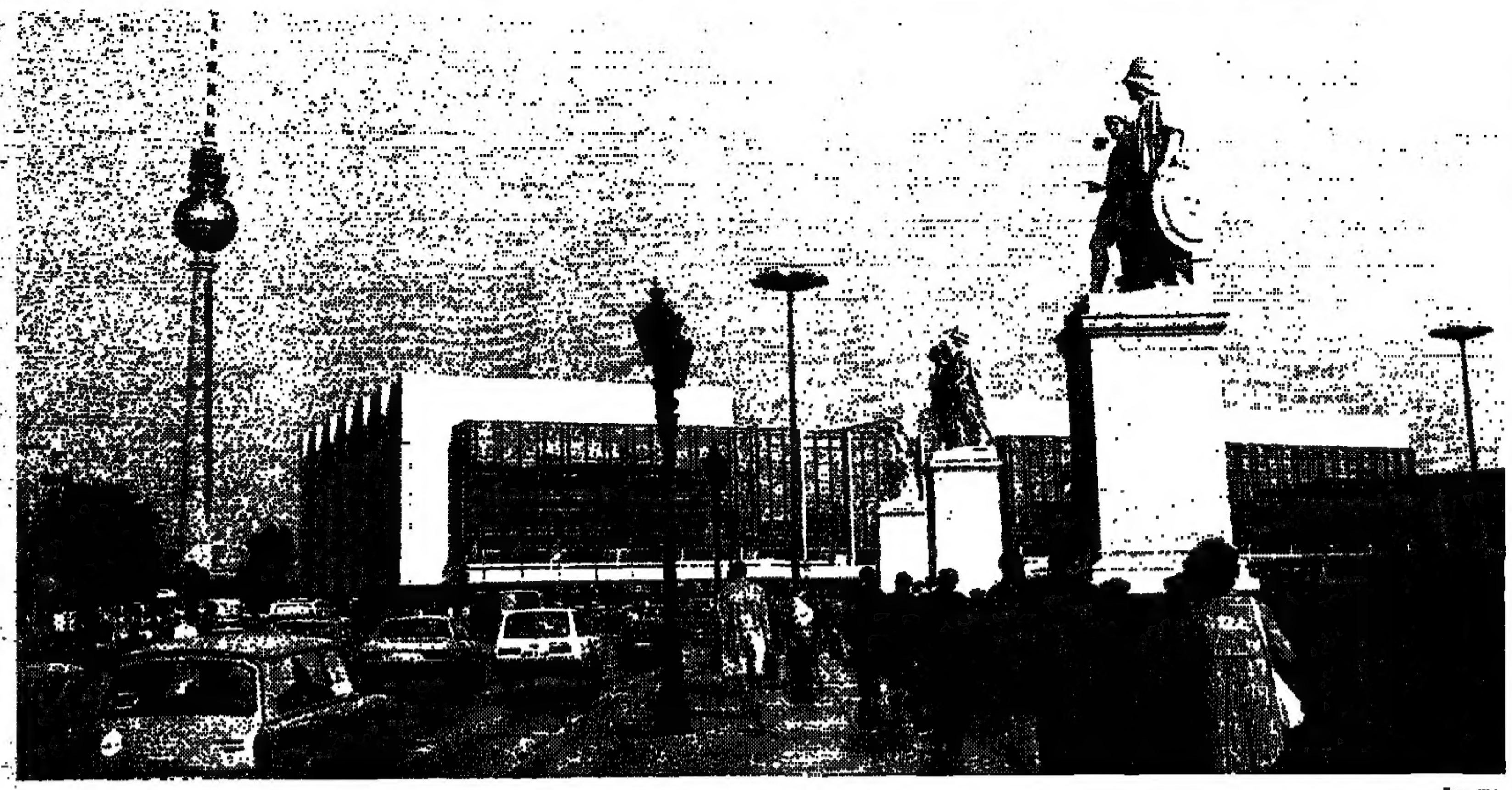
# ARTS

ARCHITECTURE

# Divided it fell, but united it should rise

**As 1992 dawns, Colin Amery stresses the importance of rebuilding Berlin as a whole city again**



Terry Kirk

**One of the most paradoxical views in Europe, from the refurbished Karl Friedrich Schinkel's bridge, the Neue Schlossbrucke, with its massive statues and beautiful ironwork, to the hideous Palace of the Republic**

Last week an editorial in the *FT* spoke of the differing political visions that are vying for supremacy in the construction of the new Europe. Naturally enough it was concerned about international perspectives for the new community and the prospects for political and economic progress. Architecture was not mentioned, but it does have an important role, both as visible evidence of material progress and as an outward sign of historical and cultural values.

1992 is the year for architects to take advantage of the opening up of the single market, and British architects would be well advised to look both at the enormous opportunities and the strength of the architectural competition. Two particular countries demonstrate these facets of the situation very clearly. *One is the newly united Germany;* the other is the recently democratised Spain.

At a conference recently held at the Bauhaus called *Berlin scenarios of development*, one speaker summed up the opportunities for Berlin. "Berlin is like a gigantic zip being pulled together again as quickly as possible ... not only through streets and squares ... transport links, telephone lines ... but first and foremost in the stomach, the heart and the head." The zip also has to reunite ancient centres with development that has happened since the last war in the pulsating western sector around the Kurfurstendamm. How long will it take to remove the scars of communism, to resolve the curious paradoxes and contrasts that exist particularly in what was East Berlin?

Take a walk down the Unter den Linden and pass, as you now can, through the Brandenberg Gate going east and you are faced with one of the most paradoxical views in Europe. Just before reunification the East German government refurbished Karl Friedrich Schinkel's bridge, the Neue Schlossbrucke, reinstating the massive statues and the beautiful ironwork. But the view from this masterly neo-classical monument is of the hideous Palace of the Republic – a monument to communism which was built on the site of the gutted Royal palace. It is said that even Krushchev was astounded by the ugliness of this 1950s monster and deplored the demolition of the royal palace, which could have been restored.

The decision to move the government of Germany from Bonn to Berlin guarantees big architectural opportunities. Will they be seized? How will any new plans embrace the ideologies of the past that linger so strongly?

Last year the Deutsches Architektur Museum in Frankfurt invited 17 international practices to explore ideas for the architectural reunification of Berlin. The mood of the competition was summed up by the description of the brief: to find "an architecture for a City of Tolerance."

Hitler tried to plan a Berlin, with his architect Albert Speer, that would rival the Rome of the emperors: axial routes were to focus on glorious state buildings, all of them large enough to defy any rational sense of proportion. Some of the internationally famous architects in last year's competition produced schemes of a scale and fatuousness that perhaps only Speer would have understood. Zaha Hadid simply developed the axial ideas into a motorised monster of a city designed as a focal "star of routes." Norman Foster, on the other hand, saw that what the city needed is a peaceful centre. He planned to make the site of the Berlin Wall into a park – a green calm ribbon on the site of so much death and sacrifice. Robert Venturi and Denise Scott Brown extended the Kurfurstendamm along the southern boundary of the Tiergarten – rather like a long New York style Fifth Avenue alongside a park. It was probably the German architect O.M. Ungers whose ideas were closest to the spirit of the city. He proposed islands of monuments and imposing buildings that could read as icons, or important markers, in a largely suburban city.

Anyone who has visited Berlin when it was divided will have experienced that curious sense of being on a series of urban islands. When you reached Potsdam, or sat on a beach by the Wannsee, this sense of being remote but at the heart of something large and important is very palpable. Berlin is as much trees, water and gardens as it is monuments and good public housing.

British architects and developers are gradually rising to the prospects of work in the city; let us hope that they first co-operate to create an efficient but humane infrastructure that ties up the city's wounds before imposing any rash of international hotels and uniformly mediocre commercial blocks.

It is in Barcelona that the urge to give democratic Spain a modern international face is most visible.

The Japanese architect Arata Isosaki's Olympic Stadium, now that it copes with the rain, promises to be a successful and stylish venue for the games. But it is architects in the Catalan region who have recently produced a whole range of subtle new buildings that combine the best of the Mediterranean and the modern.

The most well known architect working in Spain, Rafael Moneo, is also one of the very best in Europe. His museum for Roman antiquities in Mérida has that rare quality, architectural good manners.

What are we to make of the gigantic conference centre at Salamanca designed by Juan Navarro Baldeweg? In some ways its great dome rising from a cube is reminiscent of the neo-classical design of the monument for Frederick the Great that Gilly produced and which so inspired Schinkel. Has the neo-classical wheel come full circle in Spain rather than in Berlin?

Architecture is the built language of the times, which today are complex and contradictory. As the new Europe settles down to 1992, I shall be writing about how things progress in Berlin and Spain.

# Docklands Sinfonietta

**QUEEN ELIZABETH HALL**

Among the few cultural enterprises that grew up in the London Docklands during the last decade is the Docklands Sinfonietta, founded in 1989. The orchestra was set up to bring music to the development area and its programme this season includes a series of summer concerts there, but for the big dates it is already starting to venture further afield.

Whatever the setbacks being experienced in property and other business interests in the Docklands enterprise zone at the moment, this particular enterprise would seem to be flourishing. Friday's concert was well attended and well played.

The group is relatively small (20 strings arranged 6-4-4-4-2) so there is nowhere for timid players to hide. But under Edward Downes's experienced baton the class of the individual musicians told.

The programme was restricted to strings and percussion (though a Barbican concert next week will provide an opportunity to judge the wind and brass sections that have been assembled).

In the first half Arvo Pärt's *Cantus in memoriam Benjamin Britten* and Bartók's *Music for strings, percussion and celeste* were agreeably lightweight, clear, sharp in profile – no question of the rich string sonorities that one would hear from, say, the Academy of St Martin-in-the-Fields.

Instead Downes stressed other qualities. There is always a special pleasure to be gained when a chamber-sized group of talented string players is brought together and it was that extra degree of fiery attack and individual eloquence that came to the fore both in their Bartók and, after the interval, in a concentrated performance of Shostakovich's Symphony No 14.

There the only reservation was that the two soloists, though admirable in every other respect, were not native Russian speakers. Sarah Walker is able to produce the right sort of Slavic edge to the voice. Willard White, noble, honest, suggesting a deep-seated stability at heart, had the vocal demands of the music well within his compass; but I missed the spirit of rebellious sarcasm with which this symphony openly mocks authority.

Two decades (and a revolution) on, it remains a remarkably powerful work. As *a study of man in isolation*, whether of the lone prisoner pacing his cell or the poet who speaks out against dictatorship, this symphony is Shostakovich at his most painfully articulate and it is that aspect which Downes and his players caught so well. The solo cellos singing their poignant threnody in "Oh, Delvig" were particularly fine.

**Richard Fairman**

# The Dedication Orchestra

**100 CLUB, OXFORD ST**

Treating a New Year's hangover with full tilt *avant-garde jazz in a smoky* basement club with a relative humidity of 99 per cent would not be the average citizen's cup of purgative, but the grimy 100 Club in Oxford Street was full to the rafters anyway. That's because the Dedication Orchestra, which employs some of the country's most liberated improvisers, was performing there and for a good cause.

The musicians involved have all collaborated at some time with South African jazz refugees The Blue Notes – Johnny Dyani, Mongezi Feza, Chris *McGregor, Louis Moholo* and Dudu Pukwana – who arrived here in the 1960s. Only Moholo remains, the others have all died.

But such was the lasting effect on the London jazz composing scene of the characters that their peers have established a bursary, The Spirits Rejoice Foundation, to help fund young South African musicians' study in Europe. All proceeds from the concert, and sales of the CD to follow, will go into the fund.

*When the Blue Notes* first arrived in London from South Africa in 1965 (multi-racial music making was not possible at home), their fiery township-inspired impro was unlike anything the trad or bop fraternity here was used to.

The sound of the Dedication Orchestra is not yet easy listening. Pianist Keith Tippett, who with his lamb chop sideburns, collarless shirt and waistcoat looks like a refugee from the Onedin Line, often leaves his stool to tinker beneath the instrument's lid *with wooden blocks.*

His wife Julie, with whom he once had a band called Ovary Lodge, is so involved a vocalist her violent spasms seem likely to carry her off the stand.

They are but one-twelfth of the ensemble and the whole makes a formidable sound. The horns include the crazed sopranos of Lol Coxhill and Evan Parker, with Django Bates directing from behind a tenor horn. The brass features Kenny Wheeler, absent for the *set I caught, amply* compensated for by Harry Beckett and Jim Dvorak while Louis Moholo, the surviving Blue Note, grins out from behind a quivering kit.

Original Blue Note compositions all, the material is arranged in an invigoratingly shambolic way by current personnel. Out of this crafted chaos comes the sounds of Soweto rhythms and swing big bands, as in "Manja" (now), written by Chris McGregor and arranged by Mike Westbrook.

In "Dancing Damon" trom-*bone slides bristle vigorously* while in "Sonja" Evan Parker shows uncharacteristic restraint and melody with the ballad, sometimes actually breathing between notes.

The Dedication Orchestra will never rival Paul Simon in popularising South African rhythms but the CD deserves to be a success, for historical as well as charitable reasons.

**Garry Booth**

SPONSORSHIP

# Incentives get a boost

This is certain to be a very hard year for arts sponsorship, probably the hardest in the history of a business which has enjoyed unbroken growth since its origins in the mid 1970s.

The majority of companies link their expenditure on sponsorship, along with charitable giving, environmental aid, and good works generally, to their profitability. With profits down last year virtually across the *board the tithe for the arts will* be reduced. The exception will be those companies which are committed to sponsorship – either as an act of faith or because they know it makes good business sense.

The minister for the arts, Tim Renton, has acknowledged the possibility of a crisis by allocating most of the extra £1m he wheedled out of the Treasury for the Business Sponsorship Incentive Scheme (bringing it to £4.5m a year) to those long-term sponsors of the arts who have kept the faith.

In the past the BSIS has been geared towards first-time sponsors. That element remains but from April companies returning for a second helping qualify for £1 in Government money for every £2 they give, instead of £1 for every £4 as at present, and sponsors for a fourth year now qualify for a top up – £1 for every £4 they contribute. This should encourage large multinationals, the hard pressed group most likely to reduce their sponsorship in 1992, to maintain their involvement. This hunt for new applicants suggests that ABSA (Association Business Sponsorship Arts), which administers the scheme, does not expect to be overwhelmed with sponsors.

The BSIS scheme has attracted over the years 2,000 new sponsors who have poured £30m into the arts and attracted £15m from the government. Renton is allocating some of the additional £1m to the opening of an ABSA office in the north of England.

★

Last month the London Mozart Players launched its promotional video aimed at sponsors, an impressive advertisement in which Prince Edward, the LMP's patron, acted as anchor man to an enthusiastic gathering of possible contacts. The LMP played and the champagne flowed. The event took place in an empty office suite in Mayfair.

The party was hosted by the suite's developers, the Imry Group and Speyhawk, which also invited to the concert prospective tenants of its development. It was yet another example of the synergy that the *property crisis has encouraged*, using the arts to draw in visitors who, without the incentive of a concert or an art show, would probably not bother to give the offices a first glance.

A month or so ago another property company, Lynton, in an attempt to stimulate interest in its Eversholt Street development, commissioned a 25 ft high reproduction of a painting by the American artist Robert Heindel, which depicts Jane Sanig, a principal dancer with London City Ballet, and which is entitled "Pursued by a Beast called Passion".

Any tenant taking space in the building is presented with a year's free corporate membership of the LCB, worth £1,000, plus a limited edition print by Heindel. Also in with a potential gain from the deal is the Halcyon Gallery of Birmingham which exhibits the artist.

The area which has tried to cash in most on the arts is Docklands. The Canary Wharf development has its own concert hall and a costly programme of free events for the pioneer office workers there. During the summer many Dockland developments, from Tower Bridge Piazza to the Tobacco Dock shopping mall, were giving over empty space for art shows, sometimes to art school students, sometimes to professional artists – all in an effort to bring some life to dead developments and to lure *potential tenants.*

The Quinlan Terry development over Charing Cross station, a work of art in itself, has played host to numerous events, including an art show organised by the gallery Pomeroy Purdy. This year, in a further turn of the roundabout, even more property developers will be looking to arts organisations for promotional help, rather than vice versa.

★

Arts organisations have not exploited Gift Aid to its full potential – not that there is much potential in this Treasury-thwarted scheme to offer tax incentives for charitable givers. But the Tate Gallery has just received £90,000 from a private patron using Gift Aid. The money will pay for an archivist to investigate the Kenneth Clark archive which the Gallery received in lieu of death duties. Earlier this year the Tate was able to purchase a Wright of Derby painting, thanks in part to £100,000 in Gift Aid contributed by property man John Ritblat.

Arts organisations have been slow to approach companies with money-raising alternatives in addition to direct sponsorship. They have been especially unimaginative in getting sponsors to pay for services which could in their turn unlock sizeable sums of money. One of the Tate's brightest initiatives in 1991 was to persuade Tate & Lyle, which after all shares with it a funding millionaire, to renew its connection with the Gallery and sponsor a three-year membership drive for more Friends of the Tate.

The company financed new leaflets, an advertising campaign, and a Friend's desk in the Gallery. This has already added 2,500 Friends, which at £25 a time, makes a useful contribution towards the fund to purchase new acquisitions.

★

The record companies are notoriously stingy sponsors, given their dependence on musical creativity for their profits. But Thorn-EMI is digging deeply into its pocket to pay for a European tour by Beethoven's piano.

The instrument was given to *the composer in 1817 by its* maker, Thomas Broadwood, and is now in a museum in Budapest. It will be played as it travels around the continent, ending up in the UK in the early summer. EMI artist Melvyn Tan will perform on the piano, which is insured for £5m, in Bath and at the Barbican and recordings will inevitably be made.

★

The National Maritime Museum is the most entrepreneurial of our important national museums, the one which at least thinks about an existence without government subsidy. It plans to open a new gallery in the summer dedicated to "Seapower in the 20th century", thanks to a £400,000 sponsorship from the Evergreen Group, a Taiwan-based shipping company. The gallery is the first step in a £4m refurbishment of the museum's south-west wing.

**Antony Thorncroft**

*INTERNATIONAL*

# ARTS GUIDE

TODAY'S EVENTS

## ■ AMSTERDAM

**Muziektheater** 20.15 Achterland: dance work by the Belgian choreographer Anne Teresa de Keersmaeker. Fri and Sun: Offenbach's operetta Les brigands, runs till Jan 29 (6255 455/credit card bookings 6211 211)

## ■ ATHENS

**Concert Hall** 20.30 Greek composers of the 20th century: Theodoros Antoniou conducts the Alea Ensemble in music by Minas Alexiadis, Haris Xanthoudakis, Alexandros Kalogeras and Pericles Koukos. Another three composers are featured in the next programme on Sat, Wed, Thurs and Fri: Alexander Myrat conducts the Camerata of the Athens Concert Hall in three programmes, including music by Bach, Handel, Mozart, Gluck, Massenet and Jolivet, with soloists including the flautist Patrick Gallois (722 5511)

## ■ BERLIN

**MUSIC**

**Staatsoper unter den Linden** 19.30 Siegfried Kurz conducts Manon Lescaut, sung in German. Tomorrow and Sun: Peter Schreier conducts Gluck's Iphigenie en Aulide. Wed and Fri: Nutcracker. Thurs: Der Freischutz. Sat: Lohengrin (East Berlin 2004 762)

**Deutsche Oper** 20.00 Charles Dutoit conducts a concert performance of Berlioz's La Damnation de Faust, with Julia Varady, Vinson Cole, Dietrich Fischer-Dieskau and Gilles Cachemaille. Tomorrow: La Sylphide. Wed and Sat: Turandot with Gwyneth Jones. Thurs: Zar und Zimmermann. Fri: Die Zauberflöte. Sun: Tosca with Rosalind Plowright and Neil Shicoff (West Berlin 3410 249)

**Schauspielhaus** 20.00 Ronald Zollman conducts the World Youth Orchestra *in music by Prokofiev,* Bernstein, Josef Tal and Mahler. Thurs, Fri and Sat afternoon: Simon Rattle conducts the Berlin Philharmonic Orchestra. Sat and Sun: Claus Peter Flor conducts the Berlin Symphony Orchestra (East Berlin 2272 261)

**THEATRE**

**East Berlin:** this week's repertory at the Berliner Ensemble includes Mother Courage tonight, Schweyk tomorrow, Galileo on Wed. Baal on Fri and The Threepenny Opera on Sun (2827 712). The Deutsches Theater Kammerspiele has a condensed version of Shakespeare's *Henry IV* plays tonight (2871 226).

The Maxim Gorki Theater has Peter Shaffer's Amadeus tomorrow, T S Eliot's The Cocktail Party on Thurs, Chekhov's Three Sisters on Sat and Shakespeare's As You Like It on Sun (2082 748), and the Volksbuhne is showing an adaptation of Bulgakov's The Master and Margarita tomorrow and Buchner's Woyzeck on Thurs (282 3394).

**West Berlin:** the Schiller Theater has Lessing's Minna von Barnhelm *tonight and Thurs, Goethe's* Iphigenie auf Tauris tomorrow, Molière's Le Malade imaginaire on Fri and Goethe's Faust on Sat (3195 236).

## ■ BRUSSELS

**Palais des Beaux Arts** 20.00 Via Nova Quartet plays string quartets by Milhaud, Wolf and Franck. Tomorrow: music for flute, bassoon and harpsichord by Couperin, Vivaldi, Devienne and others. Thurs: Alexander Dmitriev conducts the Belgian National Orchestra in music by Ravel, Scriabin and Saint-Saens, with Heinrich Schiff cello soloist (507 8200)

## ■ LONDON

**Covent Garden** 19.00 Jeffrey Tate conducts Johannes Schaaf's production of Le nozze di Figaro, with a cast led by Lucio Gallo, Thomas Allen, Marie McLaughlin, Felicity Lott and Anne Sofie von Otter, also Fri. Tomorrow and Wed: Nutcracker. Thurs and Sat: Cosi fan tutte (071-240 1066)

**Wembley Arena** 19.30 Edward Downes conducts Andrei Serban's Royal Opera production of *Turandot, with further* performances tomorrow and Wed (081-900 1234)

**Royal Festival Hall** 19.30 Ben Stevenson's English National Ballet production of The Nutcracker, runs till Jan 18 (071-928 8800)

**Coliseum** This week's ENO performances include Rimsky-Korsakov's Christmas Eve tomorrow and Thurs, Richard Jones' production of Die Fledermaus on Wed and Sat and Handel's Xerxes on Fri (071-836 3161)

* *For ticket information about West* End theatre shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

## ■ MUNICH

**Staatsoper** 19.30 Bavarian State Ballet in Ludwig Minkus' Don Quichotte, also Wed and Fri. Tomorrow and Sat: Die Fledermaus with a cast including Pamela Coburn, Trudeliese Schmidt, Siegfried Jerusalem and Wolfgang Brendel. Thurs and Sun: Tchaikovsky's The Maid of Orleans (221316)

**Philharmonie** 20.00 Krzystof Penderecki conducts the Munich Philharmonic Orchestra in a programme of his own music, including the Second Cello Concerto with David Geringas (48098 614). Thurs and Fri: Semyon Bychkov conducts the Bavarian Radio Symphony Orchestra in a programme including Berio's Sinfonia and Mendelssohn's Concerto for two pianos with the Labeque Sisters (558080)

**Kammerspiele** 19.30 Ibsen's The Lady from the Sea, directed by *Thomas Langhoff. Wed: Samuel* Beckett evening. Sat: Botho Strauss' Schlusschor (23721 328)

## ■ NEW YORK

**Blue Note Jazz Club and Restaurant** Tonight's show is by The Ritz, a jazz vocal group founded in 1982 and dedicated to extending the jazz vocal tradition represented by Lambert, Hendricks and Ross in the 1950s (showtimes: 21.00, 23.00 and 01.00). Tomorrow, Dizzy Gillespie begins a four-week *engagement, backed by more than* 40 of his peers and proteges (showtimes 21.00 and 23.30). This week's shows are entitled Dizzy's Bebop Jamboree, in which Dizzy will be joined by Kenny Barron (piano), Bob Cranshaw (bass), Elvin Jones (drums), Jimmy Heath and James Moody (sax) and Slide Hampton (trombone).

The repertoire will include compositions by Dizzy, Thelonious Monk, Chano Pozo and jazz standards these artists transformed into the bebop idiom. Next week: Dizzy's United Nation 14-piece band that performs Afro-Cuban jazz in a style that the trumpeter first explored in the 1940s (475 8592)

**New York State Theater**
City Ballet resumes repertory performances tomorrow, continuing daily except Mon till Feb 23 (870 5570)

**Avery Fisher Hall**
The New York Philharmonic, conducted by Leonard Slatkin, gives the New York premiere of John Corigliano's First Symphony on Thurs, repeated on Fri, Sat and next Tues. The programme also includes Shostakovich's First Violin Concerto, with Salvatore Accardo.

*The Philharmonic is dedicating* these concerts to those who are living with Aids and those who help and support them (875 5030)

**Metropolitan Opera**
Tonight at 20.00, Marilyn Mims sings Violetta in La traviata with Jerry Hadley as Alfredo and Paolo Gavanelli as Germont, also Sat evening. Tomorrow and Fri: John Corigliano's new opera The Ghosts of Versailles. Wed and Sat afternoon: La boheme. Thurs: Der fliegende Holländer with Hildegard Behrens as Senta (362 6000)

## ■ PARIS

**Opéra Bastille**
Friedemann Layer conducts Bob Wilson's production of Die Zauberflöte tonight, Wed, Sat and next Tues. Tomorrow, Fri and next Mon: Myung-Whun Chung conducts Yannis Kokkos' production of Boris Godunov, with Paata Burchuladze in the title role. All performances begin at 19.30 (4001 1616)

**Théâtre des Champs-Elysées**
Tonight at Wed at 19.30, Jean-Claude Malgoire conducts Jean-Louis Martinoty's production of Lully's Alceste, with a cast including Jean-Philippe Lafont, Colette Alliot-Lugaz and Howard Crook. Thurs: Margaret Price sings Strauss' Four Last Songs. Sat, Sun and next Mon: dance gala with international soloists (4720 3637)

**Salle Pleyel**
On Wed and Thurs, Sian Edwards conducts the Orchestre de Paris in music by Haydn, Rakhmaninov and Stravinsky, with Dmitri Alexeev piano soloist (4563 0796)

**Châtelet**
Performances of West Side Story continue daily from tomorrow (4028 2840)

## ■ VIENNA

**Staatsoper** 19.30 Jan Latham-Koenig conducts Il barbiere di Siviglia. Tomorrow: Die Zauberflöte. Wed: Tosca with Mara Zampieri and Neil Shicoff. Thurs and Sun: Die Meistersinger von Nurnberg with Bernd Weikl and Nancy Gustafson. Fri: Katya Kabanova. Sat: ballet evening (51444 2960)

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1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

*Super Channel*
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis *from FTTV*
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
2130-2200 (Thurs) Talking Heads - international issues

*Sky News*
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

**SATURDAY**

*CNN*
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0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

**SUNDAY**

*Super Channel*
1800-1830 FT Business Weekly

*Sky News*
1330, 1630, 2030, 0030, 0230 FT Business Weekly

*CNN*
1800-1830 World Business This Week

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Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Monday January 6 1992

# Education and the election

THE STRENGTHS and weaknesses of the UK's education system – and the politicians who seek to influence it – were well illustrated in two weekend news stories.

On Friday, government and opposition vied to claim authorship of plans to improve reading standards based on schemes which have achieved remarkable results in New Zealand. The determination of both parties to give priority to reading and increase funds for raising standards is a welcome sign of the new consensus emerging across the party divide.

That consensus covers much of the education field. Targets, standards and regular pupil testing are here to stay. There is agreement on the need to pay teachers adequately, the importance of developing an effective "vocational" route through school and college, and the urgency of improving staying-on rates at 16 and at 18. After 20 years of chopping and changing, much of it dogma-driven, teachers and parents might feel that they can look forward to greater consistency of approach, whichever party is in government.

Any such belief must have been rudely shattered on Saturday, when Mr Kenneth Clarke, the education secretary, announced his proposals for an upheaval in the teacher training system. He wants to shift the burden for training teachers from the colleges to the schools – already struggling to digest a series of changes from the national curriculum and testing to the local management of their budgets. There is certainly no consensus for these proposals, which have been roundly attacked by the opposition and appear to enjoy only qualified support from the inspectorate.

### Failure to consult

Other recent pronouncements show a similar failure to consult widely or consider expert opinion.

In November 1990, Mr Clarke introduced a bill to restore collective bargaining to teachers. Without public notice or consultation, it was withdrawn in April. A substitute bill was rushed through to set up a pay review body.

In May, it was announced (again without consultation) that further education colleges were to be divorced from local education authorities. The main aim, it seemed, was to reduce council spending rather than improve further education.

In the summer, Mr Clarke set up a two-month inquiry into the future of Her Majesty's Inspectorate. He refused to publish its report, and is implementing with extraordinary haste a scheme for privatising the inspection of schools which reportedly differs significantly from that recommended by his own inquiry.

Last month he set up an inquiry into under-11 teaching – and gave it just two months to turn the primary school world upside down.

### Panicky electioneering

This all reeks of panicky electioneering. It insults the professionalism of the teachers without whose co-operation no education reforms can succeed. And – in the long run, perhaps most damaging of all – it creates conflict and dissension where, with a calmer and more consensual approach, it could be minimised.

The priority now is to stop making endless policy on the hoof, and find a way of establishing a firm consensus which can take the UK into the 21st century. The future shape of UK's education provision needs to be examined, fully and calmly, taking evidence from *all* in the field, and looking abroad in the process.

Two of the broad issues which need to be addressed are these: to what extent should the education system be planned and run by the state? And how should it be financed?

The safeguarding of basic educational standards and opportunities must, of course, be a state responsibility. But it is not coincidental that the most successful parts of the system are those in which Whitehall and Westminster have interfered least – the universities, the independent schools and local authority nursery schools. The first two also happen to be the best resourced – which ought to lead to some searching questions beyond the election.

*This is the first in a series on British education policy*

# Aid and reform in Nigeria

When General Ibrahim Babangida called for debt relief last week, he was throwing down the gauntlet. Help me, or take responsibility for Nigeria's recovery programme buckling under the weight of service payments on its $34bn external debt, his budget address implied. Nigeria's partners should take up the challenge, but not in the way Mr Babangida may expect.

The president made an important point: running a large current account surplus in order to service external debt is incompatible with economic recovery. Generous concessional treatment of debt-burdened African economies is essential if the continent's development crisis is to end.

But debt write-offs and other assistance should be linked to good government, a policy put to such good effect in Kenya recently. Like President Daniel arap Moi, General Babangida must first set his house in order before qualifying for help: this means curbing corruption, ending human rights abuses and improving Nigeria's faltering economic management.

Mr Babangida deserved approval for the reform programme introduced in 1986, a year after the coup that brought him to power. Measures which include trade liberalisation, a more realistic exchange rate, a privatisation plan that affects nearly 100 companies, and agricultural reforms, have improved Nigeria's economic prospects.

### Erratic process

But it has been an erratic process, delayed by weak management, poor implementation, uncertain political will and endemic corruption. Last year progress again stalled. An over-expansionary fiscal policy, heavy reliance on domestic bank borrowing, a growing gap between the official and parallel exchange rates, saw Nigeria fail a mid-term review of a 15-month International Monetary Fund (IMF) agreement.

*Meanwhile there remain* unanswered questions about the size and allocation of Nigeria's oil earnings, in particular the windfall from the price surge during the Gulf war. Manifestly uneconomic projects have been pursued, such as the disastrous Ajaokuta steel plant. Lavish spending on the new federal capital, Abuja, is at odds with economic realities.

Nor is all well on the political front. President Babangida has won praise for his commitment to a phased return to civilian rule, made well before the new winds of democratic change swept across Africa. But the transition process, due to conclude with presidential elections by the end of this year, is deeply flawed.

### Queueing system

The government banned all independent parties and created two of its own. Both had their manifestos written by government officials. Voting takes place under the queueing system – dropped by Kenya in response to domestic and international criticism – which entails a public count of voters lined up according to their choice of candidate. Thousands of would-be candidates were banned from all but the last stages of the transition because of their association with past administrations.

Nigeria's record on a broader human rights front is arguably worse than Kenya's. Offences range from the razing of a Lagos slum in 1990 which left thousands of families homeless, to preventing a civil rights lawyer from attending last October's Commonwealth conference in Harare. Military decrees override the authority of the courts. Students have been arrested and detained without charge, trade unions have been harassed, a leading newspaper closed down for ten days, and journalists arrested.

Throughout this period, there has been barely a squeak of protest from Nigeria's main partners. The World Bank, Britain and the United States, so forthright in their criticism of Kenya, have been curiously restrained when it comes to Nigeria. Yet their influence is considerable. The World Bank and its affiliates have committed more than $6bn to Nigeria. *Britain is supporting Nigeria's* request for help under the Trinidad terms, which offer big write-offs of official debt. Mr Babangida should be told that sauce for the Kenyan goose is also sauce for the Nigerian gander.

**Martin Wolf** argues that government attempts to avoid a depression must not lead to another damaging bout of inflation

# How to learn from the debt delusion

*The public psychology of going into debt for gain passes through several . . . phases: (a) the lure of big prospective dividends or gains in income in the remote future; (b) the hope of selling at a profit, and realising a capital gain in the immediate future; (c) the vogue of restless promotions . . . ; (d) the development of downright fraud.*

Ending with the BCCI, Maxwell and Polly Peck frauds, the boom of the 1980s has lovingly retraced the course mapped out by the celebrated American economist, Irving Fisher, in an article occasioned by the great depression.[1]

If the indebtedness of the 1980s had such similarities with that of the 1920s, must the 1990s be like the 1930s? Are the sluggishness of the American economy and last month's cut in the Discount Rate, to just 3.5 per cent, a harbinger of a new great depression? Is the tight-money European block centred on Germany an echo of the gold-block of the 1930s? Would the collapse of the Uruguay Round of multilateral trade negotiations inflict the same damage as the infamous Smoot-Hawley tariff of 1930?

The answer should be no. In the path from debt-deflation (a downturn in spending caused by the servicing of high levels of debt) to depression one essential step – a general price collapse – should now be absent. Price *deflation can occur – indeed, is* occurring – in some markets, such as those for property. But declines in one market, however important, should not precipitate a general depression, providing governments do not permit any consequent collapse of the financial system, as happened in the 1930s.

**What was special about the US experience was the way in which indebtedness increased in all the main economic sectors: government, corporate and household**

The immediate danger is not a general depression. It is, if anything, its opposite: that attempts to avoid a depression, shown already in the accelerating growth of narrow money in the US and Japan, will rekindle inflation.

The facts of rising overall indebtedness in the 1980s, notably in the US, are clear. As is shown in the chart, the ratio of debt to gross national product in the US rose between 1980 and 1990 at a rate not seen since the early 1930s, to reach levels also not seen since that unhappy time.

In the US indebtedness increased within all the main sectors of the economy: government, corporate and household. In the UK, by contrast, it was the household sector whose indebtedness increased most sharply (as is also shown in the chart). Similar increases in household indebtedness have occurred in Japan, but not in those of other members of the group of seven industrial countries, according to the the OECD Economic Outlook published last month. The public sectors of both Japan and the UK enjoy strong financial positions. In addition, in neither case is the corporate sector as a whole in serious difficulty.

Yet where debt is accumulated may matter less than its overall level. The fundamental feature of these three economies has been excess growth of credit in relation to GNP. Between 1982 and 1988, for example, real non-financial debt (nominal debt, adjusted by the consumer price index) grew by 57.3 per cent in real terms in the US, *while GNP grew by 26.9 per cent; for* Japan real domestic credit rose by 55.9 per cent, while GNP rose by 28.3 per cent; for the UK, real bank and building society lending rose by 117.4 per cent, while GNP rose by no more than 24.1 per cent.

Why should such huge increases in indebtedness matter? After all, every debtor has a corresponding creditor. The reason is that both creditors and debtors will feel poorer than they expected if their borrowing and lending turns out to be based on unrealistically optimistic assumptions.

Suppose that, at a time of optimism like the late-1980s, someone borrowed £100,000 at a nominal rate of interest of 10 per cent in the conviction that the asset he intended to purchase *would increase in value by 20 per* cent. If the calculation were correct, the asset could be sold (or refinanced) a year hence for £120,000, so paying the interest of £10,000 and clearing a profit of the same amount. If no gain were to occur, however, the asset could be sold for only £100,000. The debtor must pay the interest from elsewhere and would then be forced at best to retrenchment and at worst into bankruptcy. Meanwhile if creditors' belief in the solvency of their debtors were to be ill-founded, their wealth would be less secure than supposed. They would feel obliged to reduce their spending.

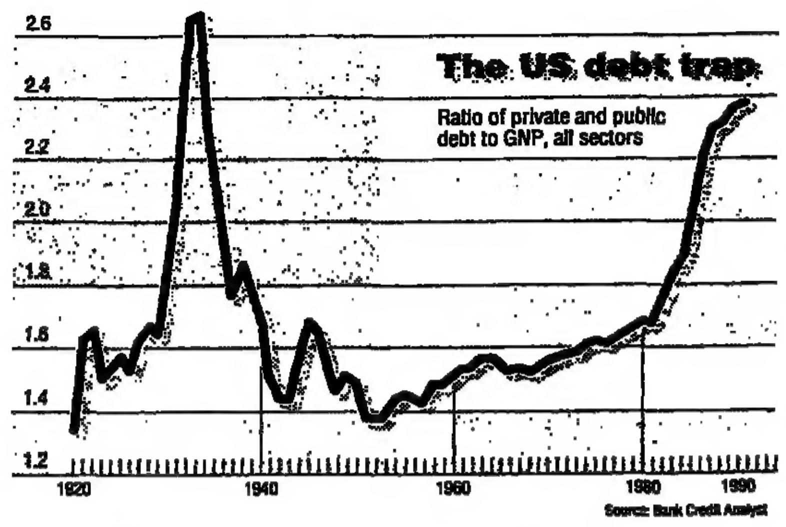
That the net asset position of the household sectors of the US, UK and Japan did not deteriorate in the 1980s provides little comfort, the mistake being that of false aggregation. If many debtors are in serious trouble and much debt is insecure as a result, the apparently comfortable position of many others is irrelevant. A net contraction in spending will ensue.

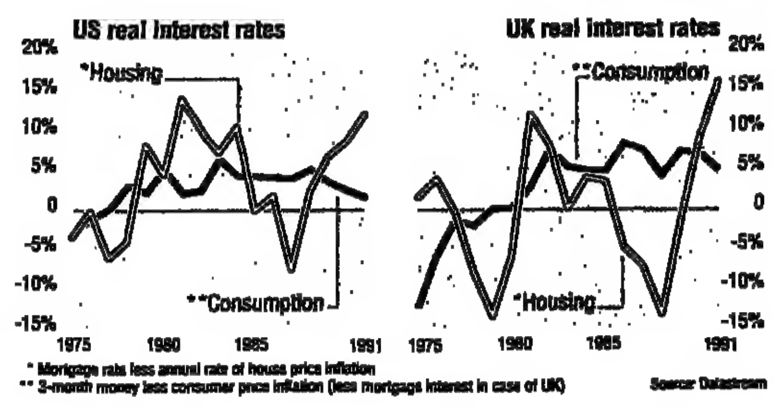
Fisher himself detailed nine stages on the path to depression:

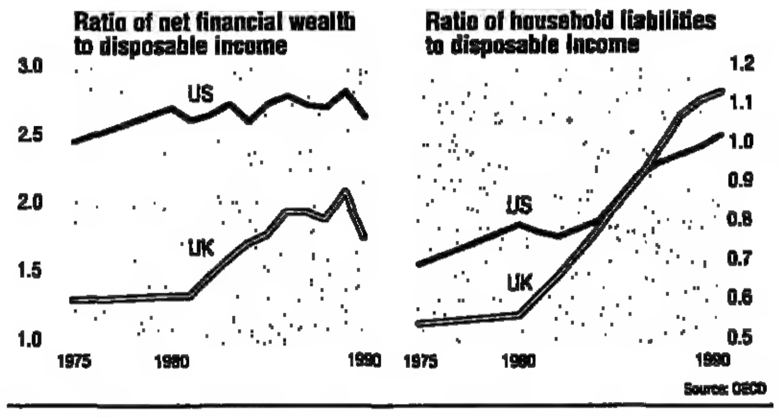
- debt liquidation, leading to distress selling;
- contraction of deposit currency;
- a fall in the level of prices;
- a still greater fall in the net worth of business;
- a like fall in profits;
- a reduction in output, in trade, and in employment of labour;
- pessimism and loss of confidence;
- hoarding and slowing down still more of the velocity of circulation;
- a fall in the nominal, or money, rates and a rise in the real, or commodity, rates of interest.

An essential element in Fisher's story is the fall in prices. "It is always economically possible to stop or prevent such a depression," he said, "simply by reflating the price level up to the average level at which outstanding debts were contracted . . . and then maintaining that level unchanged". Since all modern economies possess central banks determined to secure positive commodity inflation, a general depression would seem to be ruled out.

Is this view correct? That depends on why the general fall in prices matters. Falling prices in the 1930s reflected the banking collapses in the US and the resulting decline in the money supply, which shrank by a third.[2] But the falling price level also *had a causal role, because it raised* the real rate of interest. The real rate of interest (the nominal rate adjusted for price inflation) plays a fundamental role in both the build-up and subsequent liquidation of debt, as has been stressed by Tim Congdon, now at Gerrard and National.[3]




In 1931, for example, the average treasury bill rate in the UK was 3.6 per cent; in the US the corresponding rate was 1.4 per cent. These may appear to be comfortably low rates of interest. But, adjusted for the falling overall price level, real rates of interest were over 10 per cent in both countries. In these circumstances, debtors found themselves getting deeper into debt however hard they tried to pay off their debts.

*The nominal rate of interest on* money can never be below zero (since there is always the alternative of cash). Thus, a falling price level guarantees positive real rates of interest, and the more rapidly the price level falls, the higher will be the real rate of interest.

The effect on the real rate of interest is the reason why Fisher was right to stress the causal role of falling prices in the debt-deflation of the 1930s. But this suggests that problems can arise, even though nominal prices are not falling, if real rates of interest are high (as was true throughout the 1980s and early 1990s). High nominal rates of interest tend to lower the amount of debt in an economy, because of the high carrying costs *they impose. But*, for debtors, the combination of high nominal interest rates with high real rates of interest may be worst of all, as borrowers discovered in many Latin American countries in the 1980s.

The real rate of interest then is the key. Here the current picture is good only in part. Defined in relation to changes in the general price level, real rates of interest no longer look high in the US, where they have been reduced to little more than 1 per cent. In Europe, by contrast, short-term real rates of interest – not far from 7 per cent in France, Italy and the UK – look cripplingly high for this stage of the cycle. Japanese real rates fall between those of the US and Europe, but have been moving towards the American end of the spectrum.

Unfortunately, even this picture may flatter to deceive. Recent increases in indebtedness have largely been the counterpart of borrowing to purchase assets whose prices were expected to rise at least as fast as the rate of interest.

For much of the 1980s, real rates of interest for the purchase of many assets were negative, even though real rates of interest defined in relation to consumer prices were positive (see chart). No wonder borrowing seemed a good idea. But with falling nominal asset prices, the relevant real rates of interest have become exceptionally high. Those who borrowed to acquire property, for example, are running to stand still.

The conclusion seems to be that governments might be forced to stabilise not prices in general, but asset prices in particular. The conclusion is unwarranted, partly because there is a limit to how far asset prices can fall if commodity prices are stabilised. But the main reason is that the debt purge, however painful, is needed.

The question, after all, is why such a huge run-up in private debt occurred during a decade when real rates of interest appeared to be highly positive. The short answer is that opportunities appeared exceptional, for three reasons:

- the buoyancy of economic activity;
- the low initial level of asset prices, a result of the stagflation of the 1970s;
- the tendency to assume that low nominal rate of interest were an opportunity to borrow assets whose prices would then rise faster than prices in general.

The legacy of the 1980s is a delicate balancing act for governments in the 1990s. They must prevent the debt-deflation from inflicting irreparable damage on the financial system, so causing a true depression. For that purpose they will need to provide liquidity. They may even find themselves assuming parts of the private indebtedness, so turning the immediate problem of private debt into an aggravation of the long-term difficulties over public debt (as is already happening in the case of the savings and loans institutions in the US).

At the same time, they must avoid validating the most perverse legacy of the 1960s and 1970s, the assumption that one can never be too indebted. For just as the general assumption that prices would tend to be stable underpinned the stable growth of the 1950s and 1960s; so the assumption that inflation is always around the corner has increased economic instability in the 1970s and 1980s.

The real rates of interest of the 1980s were too high for comfort and have now to be lowered by changes in monetary and, still more, fiscal policies. But the lesson they are belatedly teaching must not be wasted. A stable market economy is incompatible with the belief that one can never borrow too much. That lesson is being relearned. Perhaps it will endure another 60 years.

[1] *Irving Fisher, "The Debt-Deflation Theory of Great Depressions," Econometrica, 1933, 337-57.* [2] *Milton Friedman and Anna Jacobson Schwartz, A Monetary History of the United States, 1867-1960 (Princeton: Princeton University Press, 1963).* [3] *Tim Congdon, The Debt Threat: the Dangers of High Real Interest Rates for the World Economy (Oxford: Basil Blackwell, 1988).*

# OBSERVER

## Cracking the Morse code

■ *One of the more interesting* banking riddles at the moment centres on who is going to replace Sir Jeremy Morse and Brian Pitman, the chairman and chief executive of Lloyds Bank, Britain's second biggest financial services group. They are the longest serving – and most successful – duo at the top of their trade. But their time is coming to an end.

Until Michael Hepher's *surprise decision to swop the* chairmanship of Lloyds Abbey Life for the number two job at British Telecom, he seemed the favourite to replace 60-year-old Pitman. Even so, several younger Lloyds' bankers are training by Pitman's side and his replacement is nowhere near as hard to spot as Sir Jeremy's.

The easiest solution would be for Pitman to replace 63-year-old Morse. Pitman has done a first-rate job transforming Lloyds into the best regarded of the big four banks and deserves to be rewarded. But a strong chief executive can find it hard to stop interfering on being kicked upstairs. Sir Jeremy, and his predecessor Sir Eric Faulkner, came from outside, and both proved excellent choices.

There is no obvious future chairman amongst Lloyds' current crop of non-executives. But as Sir Jeremy lists problems and puzzles amongst his favourite recreations in Who's Who, it would be surprising if he blotted his record by failing to pick the right successor.

## Out of account

■ There is a touch of irony about *the dismissal of Robson* Rhodes as auditors of Yorkshire textile group John Foster & Son. Although the board had previously requested the accountancy firm to resign, it refused on the highly principled grounds that auditors are *responsible to shareholders*, not directors.

Yet when shareholders turned up at the group's AGM last July, a certain party was noticeable only by its absence. The Robson Rhodes partner due to attend had put the wrong date in his diary and failed to show. As a result, the auditors' report to shareholders had to be read out by Foster's finance director!

*The change of auditors nev*ertheless raises the question of how four of the Big Six firms invited to tender as replacements could offer audit fees at about 65 per cent of their predecessor's level. After all, their charge-out rates are presumably not much different from those of Robson Rhodes, 14th by fee income.

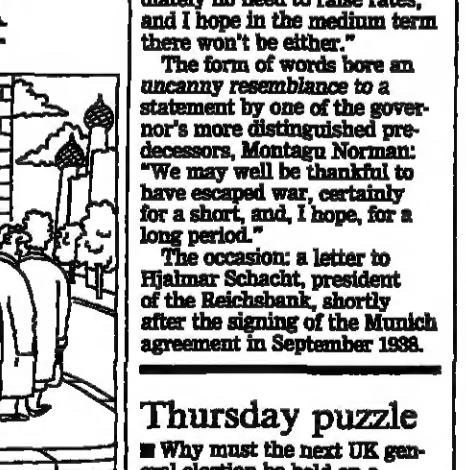
So what's the answer – a cut in hours... reallocation *of the work to lower-grade* staff...? Surely they couldn't have been offering a loss-leader on such an important function.

## Top friends

■ If Friends Provident, Britain's third biggest mutually-owned life office, was quoted on the stock market it would not survive three months, says its deputy managing director, 56-year-old Michael Doerr. There are plenty of continental and US predators who would be prepared to gobble up a quality company like his, for £1.5bn plus, if they had the chance.

So does this mean that the 160-year-old insurer is going to remain forever protected by its cosy mutual status? "We will not demutualise for the sake of demutualising" says *Doerr, but then coyly refuses* to dismiss the possibility out of hand. It could happen, for example, if Friends Provident were to become part of a bigger financial services grouping.

Doerr, who takes over from Fred Cotton as chief executive




"This is the queue to window-shop."

*in May*, is an actuary, and not normally in the speculating business. For the moment he and Cotton are pinning their faith on developing an alliance with continental insurance partners, a strategy which is already being copied by Britain's Royal Insurance, Germany's AMB and Italy's La Fondiaria.

However, if the history of such alliances in European banking – EBIC, Abecor, SFE, Inter-Alpha *et al* – is any guide, then their effectiveness is limited. Even Friends Provident may find that in the long run it needs something more permanent than a few new continental pen-friends.

## Hopeful hostage

■ One of the reasons governors of the Bank of England are *so reluctant to be interviewed* on TV is an understandable fear that any incautious comment on their part could return to haunt them.

Hence the interest in Robin Leigh-Pemberton's remarks about sterling on Channel 4 last week. "There seems immediately no need to raise rates, and I hope in the medium term there won't be either."

The form of words bore an *uncanny resemblance to* a statement by one of the governor's more distinguished predecessors, Montagu Norman: "We may well be thankful to have escaped war, certainly for a short, and, I hope, for a long period."

The occasion: a letter to Hjalmar Schacht, president of the Reichsbank, shortly after the signing of the Munich agreement in September 1938.

## Thursday puzzle

■ Why must the next UK general election be held on a Thursday? An election can in law take place on any weekday. In 1924, for instance, the voters of Britain went to the polls on a Wednesday, and in 1931 the date was a Tuesday. But since 1935, general elections have always been held on a Thursday.

According to David Butler, the well-known psephologist, Thursday is generally considered to be the least inconvenient day of the week for the purpose of an election. However, others have suggested that it may have something to do with the fact that it is the day before pay-day, and in olden times the lower orders would not have any money to spend on rival distractions to the polling booth.

Whatever the reason, the next general election may well be the last to be held on a Thursday. The vast majority of Britain's EC partners hold theirs on a Sunday and no doubt Brussels will soon be arguing for a common electoral policy requiring Britain to hold elections at weekends.

## Fair game

■ Why did the Russian chicken cross the road?

To keep out of sight of the supermarket queue.

NOTICE TO CREDITORS
BANK OF CREDIT & COMMERCE (BOTSWANA) LIMITED
"BCCB"

All creditors of BCCB are advised of a Scheme of Arrangement between BCCB and creditors who have not received written confirmation of the full value of their claims against BCCB as at the 6th July 1991, "undocumented creditors" from the Receivers for creditors.

1. A meeting of such undocumented creditors to consider the scheme of arrangement has been called with leave of the High Court for the Republic of Botswana for the 6th February 1992 in Gaborone.

2. Undocumented creditors may attend in person or by proxy.

3. Proxies are obtainable from the Receiver.

4. Proxies must be lodged with the Receiver by not later than 1700 hrs 4th February 1992.

5. Copies of the High Court Order and explanatory statement, setting out the salient terms of the Scheme of Arrangement may be obtained from the offices of the Receiver.

6. Undocumented creditors wishing to prove their claims as at the 6th July 1991 must do so by submitting the appropriate claim form to the Receiver by not later than 1700 hrs on the 4th February 1992.

7. Claim forms and affidavits in support thereof are obtainable from the Receiver.

*Undocumented creditors who fail to prove their claim to the Receivers at the meeting on the 6th February 1992, or such later date as is provided in the Deed of Scheme of Arrangement, will lose any claims which they may have.*

The address of the Receiver is:

J. Stevenson
Deloitte Pim Goldby,
4th Floor,
Barclays House,
Khama Crescent,
P.O. Box 778,
GABORONE
REPUBLIC OF BOTSWANA

TEL: (267) 351611
FAX: (267) 353135

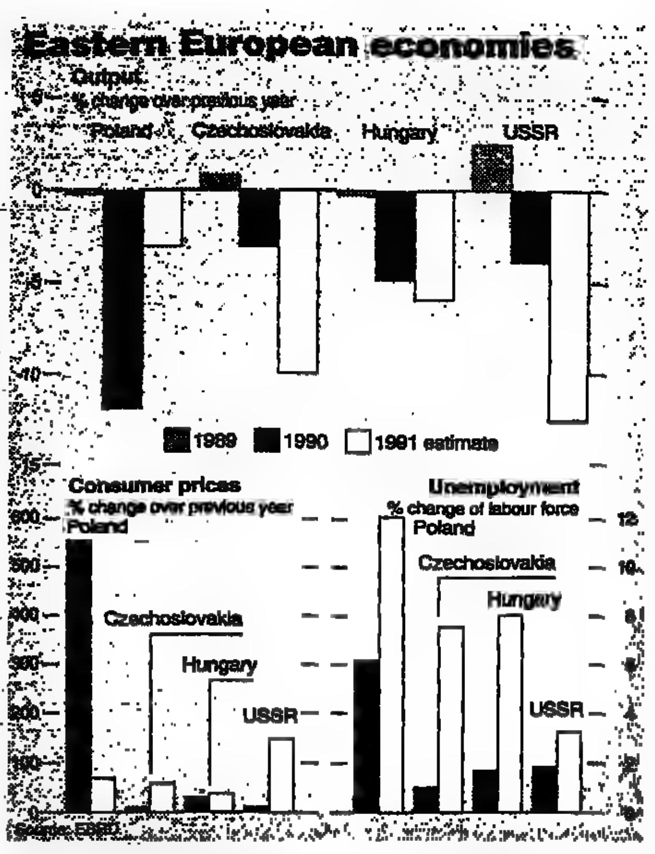
A turnaround for east Europe's output is near, says **John Flemming**

# Watershed ahead

For Poland, Hungary and Czechoslovakia, 1991 saw expectations lowered and hopes deferred. But 1992 has the potential to rekindle both in these three countries – the fastest reforming ones of eastern Europe – and, through their example, in those that follow them. What is needed is internal and external political stability: stable government in Poland; harmonious relations between Czechs and Slovaks; and co-operation within the new Commonwealth of Independent States, formerly the Soviet Union.

The European Community is playing a modestly supportive role. Poland, Hungary and Czechoslovakia signed association agreements with the EC in December. The agreements disappoint earlier hopes of rapid movement to free access and full membership. But they do represent significant advances towards relaxing constraints on sensitive imports of agricultural products, textiles, steel and chemicals. They also reiterate the goal of membership.

Developments to their south and east underline the importance of western markets to Poland, Hungary and Czechoslovakia. Markets in Yugoslavia, Albania, Bulgaria and Romania are diminishing or dislocated. Meanwhile, the problems of smoothing trade between the members of the Commonwealth of Independent States must place a big question mark over sales in that region for a while.




Domestic markets in reforming countries will continue to be limited by the need to balance budgets and contain inflation. In both these respects, however, Czechoslovakia is living up to its long-established reputation for stability. Yet even its official forecast for 1992 does not predict the the zero inflation achieved for several months in 1991.

Hungary's inflation rate has increased to nearly 40 per cent, partly because the needs of debt service (and its low foreign exchange reserves) made a competitive exchange rate take priority over exchange rate stabilisation as a counter-inflationary anchor. A tougher policy is probable in 1992, so that inflation should fall.

Meanwhile, the Polish budget has pursued an erratic path, influenced by fiscal retrenchment and swings in the profitability of state-owned enterprises. With output still falling, immediate prospects are disturbing; heightened inflation is a real possibility.

All these countries have adopted a crawling adjustment of the exchange rate against an explicit basket of hard currencies. This policy should allow reconciliation of positive real domestic interest rates and lower nominal hard currency interest rates, with more realistic exchange rate expectations.

A crawling exchange rate is more credible and reassuring to markets than either a vague commitment to hold a particular rate for an uncertain period, or no more than a partial accommodation of differential cost movements. The latter would make the recovery of lost competitiveness depend on getting inflation below that in the EC and North America. The implausibility of this achievement adds to the discouragement attendant on recent trends in output – falling at about 10 per cent a year.

These recessionary forces explain rising unemployment, now beginning to exceed 10 per cent in the reforming countries. They also complicate both privatisation, as more enterprises become unprofitable and difficult to sell, and restructuring, which typically involves labour shedding – a politically fraught development when unemployment is high.

Typically, governments have recognised that restructuring cannot be left entirely to new owners after privatisation, either because privatisation is going to be delayed, or because new owners face problems in controlling managements historically beholden to their employees. The exception is Czechoslovakia, which has not been discouraged from issuing to the people vouchers which can be exchanged for shares in state enterprises.

Poland has substantially reduced the list of enterprises to be privatised through share distributions to the population. It also continues to see a role for special intermediaries. These intermediaries are expected to reconcile the need to concentrate the functions of ownership with the very wide ownership implied, at least initially, by mass distribution.

Hungary, by contrast, continues to rely on conventional channels for its more gradual privatisation, which has been made easier by steps taken over the previous two decades to introduce market forces and market mechanisms. Hungary has also benefited from more developed financial markets. Its long experience with market mechanisms is reflected in Hungary's success in attracting about a half of all the foreign direct investment in 1991.

A total of about $3bn in such investment is modest in relation to the area's needs, but uncertainty about property rights, about the solvency of trading partners, about economic institutions and even about political stability, all act to reduce the inflow.

The role of the capital market in the finance of the area's industry remains unclear. In due course, stock markets will allow active trading in shares of mass-privatised enterprises. But most commentators also see merit in active finance by banks, which might also take small equity stakes, on the German or Japanese model. Even though these bank share holdings would not be large enough for control, banks could play a role in guiding and monitoring management.

With output having fallen by about 20 per cent over two years, the turning point is seen to be near by several international agencies – most recently by the OECD, which places it within the next two years. But since restructuring is likely to stimulate a growth of productivity, unemployment will go on rising. This will feed pressures for migration. Since full EC membership would entail freedom of movement, rising unemployment might well defer that prospect.

In the meantime, the greater the access to its markets the west allows, the greater the benefits to both parties. If the west wishes to offer assistance to obsolescent western industries that suffer from eastern competition it should do so in forms, like retraining, that do not frustrate the trade or exhaust its benefits. Eastern countries should be encouraged to liberalise imports rapidly if they can devise and finance means, such as retraining and temporary employment subsidies, to assist their industrial adjustment.

*The author is the chief economist at the European Bank for Reconstruction and Development.*

# Opec catches a winter chill

**Deborah Hargreaves** says tough decisions lie ahead for oil exporters

When ministers from the world's leading oil-exporting nations meet in Geneva in six weeks, they face difficult decisions over production cuts if they are to stem a further steep slide in oil prices by the spring. Prices for North Sea Brent crude have slipped by $5 a barrel to $18.50 in the past month in an already weak world market, prompting calls from some smaller producers for emergency action when the Organisation of Petroleum Exporting Countries (Opec) meets.

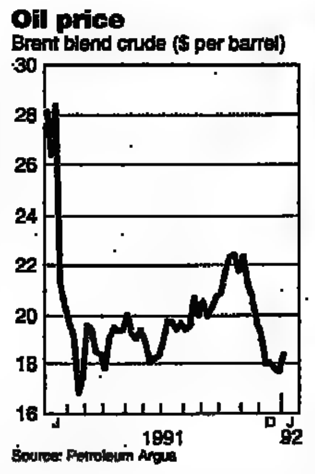
Algeria has been vociferous in its calls for an emergency Opec meeting after seeing its oil revenues eroded by oil prices as low as $16-$17 a barrel – $5 a barrel shy of Opec's target price.

It is an unusual situation for the time of year: when the weather turns frosty in the western hemisphere, world oil prices usually reach their peak, but this year prices have not followed form. Several reasons lie behind the price decline, the most important being that traders had anticipated a cold winter and a continuing drop in deliveries from the former Soviet Union, and thus a strong call on available oil supplies. In addition, they were banking on a substantial pick-up in demand as the world economy headed for recovery.

When oil prices rose to about $23 a barrel in early November, many industry observers speculated that the traditional winter peak had come too soon. They seem to have been proved right. The weather has remained relatively warm and the dip in Soviet production has not been as great as expected. At the same time, the US, UK and other western economies have been much slower to recover than expected, with the result that oil consumption has failed to show much of an increase.

Stagnant demand has prompted the International Energy Agency, the west's oil watchdog, to revise downwards its estimate for OECD usage in the first quarter of 1992 from 39.2m barrels a day (b/d) to 39m b/d – a rise of just 1 per cent over the same period in 1991.

The outlook for the market has been made even more gloomy by the action of 11 of Opec's 13 members, which have continued to produce as much as they can despite flat demand. This excess production has more than made up for the radically reduced output from Iraq and Kuwait: Iraq is still restricted from exporting oil by UN sanctions imposed after the Gulf war, while Kuwait is rebuilding its oil industry after the devastation wrought by Iraqi troops.




Hisham Nazer, Saudi oil minister: stronger grip

The consuming nations have looked to Opec to pump as much oil as it can to compensate for the absence of these two big exporters since the onset of the Gulf crisis in August 1990. This flat-out production by Opec stretched its production capacity and caused oil prices to rise as companies built stocks in anticipation of any shortfall in supply.

**Members are likely to agree to a cut of between 5-7 per cent in each producer's output. There will be much wrangling**

Consumers now believe that they may have overdone their cautious stockpiling. "I would say the market is now oversupplied with oil," said Mr Peter Bogin, oil consultant at Cambridge Energy Research Associates. "Company stocks are high and demand is low."

Cold weather in coming months could still give a short-term fillip to the oil price, but the weakness of the underlying trend has shifted the focus on to Opec and the need to introduce concrete cuts in production. The organisation is currently producing some 24m b/d, but needs to cut this by at least 2m b/d by the second quarter of next year if it is to stabilise prices.

Without swift Opec action, some smaller producers fear the market could collapse in the same way that North Sea oil prices plunged from about $30 to $9 a barrel in the spring of 1986. This sharp drop prompted many US and UK companies to slash investment plans – a move which has only been reversed in the past two years.

Producer countries were also hit badly by the slump in prices. Yet five years on ministers from the richer Opec members – notably Saudi Arabia, despite its pressing budget problems caused by its contribution to the cost of the Gulf war – are more sanguine about the outlook and have resisted calls for an emergency meeting before the regular one scheduled for February 12.

Saudi Arabia and the Gulf states are unwilling to commit themselves to a formula for cutting output before trying to thrash out a compromise in the discreet talks that surround Opec meetings.

"There is a recognition of the need to make some adjustment to production at the next meeting, but we will face many problems about how to do it," one Gulf source commented. The producers face tough battles in trying to reach a consensus on how high they expect market demand to be in the second quarter of this year; they will also be hard-pressed to convince other members of their own actual capacity levels which many try to artificially inflate in order to gain a higher production quota.

Saudi Arabia has increased its dominance in the stormy producers' club since the Gulf war and is unwilling to relinquish its 35 per cent share of Opec's overall export market. It has boosted production from 5.4m b/d before the Gulf crisis to 8.5m b/d at great additional expense and is unlikely to agree to a reduction much below 7m b/d.

"The Saudis want a deal that gives them the maximum flexibility to call the shots and cut production at their own discretion," said Mr Fareed Mohamedi, senior economist at the Petroleum Finance Company, a Washington-based consultancy.

February's meeting could steer clear of a return to formal production quotas in a bid to cut output, as has happened at several Opec meetings since the Gulf war. A more likely outcome in Geneva is that producers will agree a formula such as an all-round cut of 5 per cent to 7 per cent in each producer's output. There is likely to be a great deal of wrangling over how this can be achieved.

Whether this formula will be enough to stem the decline on world oil markets is not clear. Mr Robert Mabro, director of the Oxford Institute for Energy Studies believes that Opec continually acts to stave off a short-term crisis without giving much thought to long-term trends in the market.

"Opec could lose its credibility as a crisis-management organisation by failing to think far enough ahead," he said. For instance the organisation will have to accommodate the full return of Kuwait and the possible re-entry of Iraq to the market later this year. This should entail further cuts by producers if prices are to remain stable, but ministers shy away from discussing the issue until short-term market crises force them to do so. They disclose little beyond hoping that world demand will rise later in the year to absorb all the oil on the market.

Traders know that Opec has the power to influence prices, but the longer it refrains from using that power, the more the market will test its will by pushing prices downwards. "Opec's more subtle approach to market management is definitely riskier," said Mr Mohamedi.

# *LETTERS*

## Institutional shareholder takes issue with Fisons' investor relations

*From Mr R.C. Johnston.*

Sir, Fisons' recent revelations about its difficulties in complying with the new US Food and Drug Administration manufacturing requirements seems to demonstrate once again the board's failure to manage effectively both its business and its investor relations.

The City's reaction to the bombshells has been clearly reflected in the dramatic fall in share price.

As an institutional shareholder in Fisons, my concern at the mishandling of the group's corporate relations is not just confined to the failures of the last few weeks. For some considerable time I have been anxious over Fison's attitude towards peat extraction from sites of scientific interest and have been involved in lengthy and protracted correspondence with the company over the issue.

Despite leading retailers such as Do-It-All, Texas Homecare, B & Q, and Sainsbury's Homebase agreeing not to sell products dug from environmentally sensitive sites, the company's director of corporate affairs stated that relations between Fisons and its big customers were an operational matter and not a matter for comment to shareholders.

Earlier in the year, you will recall, Fisons had been represented on the Confederation of British Industry working party looking at communications with small shareholders.

Presumably, the board of Fisons considers that its appalling track record over Opticrom and Imferon and the FDA is an operational matter as well and, therefore, not of importance to shareholders either.

One leading stockbroker said recently that the company is clearly like a patient on a stretcher at the moment. I prefer to think of it as a board whose members are sinking slowly up to their necks in a deep peat bog.

Whether they can dig themselves out of the mire in time for the annual general meeting is another matter and one that I would urge every single shareholder in Fisons to give very serious thought to.

R.C. Johnston,
*P.O. Box 37,*
*Regent Street,*
*Barnsley,*
*South Yorkshire S70 2PQ*

## Having both

*From Rev C.G. Stables.*

Sir, Why do we all have to spend more and more to be prosperous? In the past we just replaced things as they wore out, and from time to time bought the odd extra new thing or luxury item when we could afford it, and all was well. Now, unless we are all constantly spending more and more, we are told that there is a depression and it is up to us all to dash round to the shops and start buying again.

We are told that we need more investment, and that means more savings, and at the same time we must spend more. You cannot have both at the same time – unless perhaps you are an economist?

C.G. Stables,
*Abetslare,*
*Pound Green,*
*Buxted, East Sussex TN22 4JZ*

## A pawn in a European soviet

*From Mr Michael Lees.*

Sir, With the collapse of the Soviet Union, the US/UK special relationship in the political/military sphere could have led on to fame and fortune. In getting on the conveyor belt to irreversible European union in Maastricht, we have cut that link. Germany's unilateral recognition of Croatia and the virtual certainty that chancellor Kohl's clutch of European ducklings, including the ugly British, will follow, involves betrayal of the Serbian people. Worse, it is proof that John Major has reduced us to a pawn in a European soviet which will be exploited by the Germans to expand in the east, riding rough-shod over its partners' interests. We could have stated any terms we wanted. Instead we fudged and are now a third-rate power.

Michael Lees,
*Lislee House,*
*Courtmacsherry,*
*Co Cork, Irish Republic*

## Lebanon defends efforts to regulate car imports

*From Mr Mahmoud Hammoud.*

Sir, It was deeply disturbing to those interested in the reconstruction of the Lebanon to learn from your article ("Chariots of Tyre", December 18) that the Lebanon is a haven for stolen cars.

That the article describes the retrieval of stolen goods from the Lebanon as "a knottier problem than releasing hostages from Lebanon" denotes an appalling lack of understanding of all successful measures taken by the Lebanese authorities to bring the country – except for the area occupied by Israel – under the rule of law and order.

We were surprised that the writer misunderstood the laws governing car imports to the Lebanon. This is a highly regulated matter. A car cannot be imported into the Lebanon unless it is accompanied by documents including a registration certificate or an export invoice from the country where it was bought, or a certified bill of sale, and all of the legal shipping documents.

Where does responsibility for the stolen goods lie in the first place? Is it in the country of original theft, or in the country receiving the stolen vehicles?

If the police computers referred to in your article can trace stolen cars being re-imported to the country of original theft, why can't they trace vehicles being exported?

Lebanon is a party to the Interpol agreement. If there is any proof of a stolen car being shipped to the Lebanon, the original owner can claim through appropriate police channels – in which case the Lebanese authorities would do their utmost to retrieve the vehicle, no matter how or where it had entered the country.

Mahmoud Hammoud,
*Ambassador of Lebanon,*
*21 Kensington Palace Gardens,*
*London W8*

## Champions of alternative policies

*From Mr Peter Brown.*

Sir, Too much of the debate on non-executive directors (NEDs) and their role in helping Great Britain plc improve its performance is centred on the top 500-1,000 companies.

The well known, and usually demanding, candidates for NEDs at this level can have their effectiveness reduced by being starved of or smothered with paper and having their access to internal or external sources of alternative views restricted, but they are clearly using their undoubted clout with increasing authority.

The governance problem is at the next level, in the 10,000 private and public companies, employing 200 to 2,000 staff or more, that have external shareholders – whether institutional, family, ex-directors or others – and a narrow corporate culture.

They probably have one or even two NEDs (excluding ex-chairmen and family trustees) on their boards, but such directors are unlikely to have the breadth of experience to handle all the accounting, finance, remuneration and industry technical/competitive issues the boards need to discuss.

In the absence of independent advice on issues that trouble them, they will feel it necessary, for reasons of solidarity, to go along with the management view. This is the key problem in the NED approach to good corporate governance.

It is no good trying to cajole boards into having more or more powerful NEDs than they want, but boards are increasingly willing to allow NEDs to call on independent personal advisers on issues of strategy, finance and remuneration. It is by increasing access to such information that non-executive directors will be effective, not just as watch dogs, but as champions of the alternative policies that boards need to consider.

Peter Brown
*chairman, Top Pay Research Group*
*9 Savoy Street*
*London WC2R 0BA*

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Arab delegates put off attendance after Israeli deportation order against Palestinians

# Delay threatens Mideast peace talks

By Max Rodenbeck in Cairo

MIDDLE EAST peace talks, which are due to resume in Washington tomorrow, have been put in jeopardy as Arab delegates debate how to respond to Israel's decision to deport 12 Palestinian activists.

Palestinian, Jordanian, Syrian and Lebanese negotiators have postponed attendance because of the Israeli move.

Palestinian leaders say their further participation at the talks could hinge on the outcome of a United Nations Security Council session to be held today which is expected to condemn the Israeli action.

Israeli officials confirmed yesterday that their delegation would leave for Washington as planned, and dismissed the possibility of dropping the controversial expulsion order, which has drawn unusually harsh condemnations from the US, Russia, Britain, France and the European Community.

Diplomats in Washington said the US was likely to support a resolution condemning the deportations as long as it was limited to that issue and did not turn into a more generalised condemnation of Israel.

Such a resolution would go some way towards assuaging Palestinian anger, and officials said it could help ensure that the delay in the peace talks would be brief, perhaps as short as two or three days.

Mr Yassir Arafat, the leader of the Palestine Liberation Organisation, said in Cairo after talks with President Hosni Mubarak of Egypt, that a final decision on whether to boycott the talks had not yet been reached.

The Egyptian leader pleaded with Mr Yitzhak Shamir, the Israeli prime minister, by telephone on Saturday to overturn the deportation order but was turned down.

Israeli newspapers yesterday quoted Mr Nabil Shaath, a senior Arafat aide, as saying that Palestinians would not boycott the talks, a move demanded in emotional appeals by families of the 12 men awaiting expulsion. But other Palestinian spokesmen made it clear that they would attend talks only if Israel suspends the deportation order.

"The [Palestinian] team will not go to Washington before the issue related to the deportations is solved and we receive guarantees that Israel will adhere to the fourth Geneva Convention during negotiations," Mr Yassir Abed Rabbo, a PLO executive committee member, said yesterday in Amman, where PLO leaders are meeting to discuss the issue. The convention outlaws population transfers from territories occupied by war.

The Israeli expulsion decision, taken in reprisal for the murder of a Jewish settler in the Gaza Strip, has aroused anger around the world.

Israeli newspapers yesterday criticised the government for renewing a practice that had been suspended for six months. An editorial in the daily, Ma'ariv, asked "whether among us ... there are people who are trying to halt the wheels of peace?"

● The European Community condemned as illegal on Sunday Israel's decision to deport 12 Palestinians and called on all parties to avoid acts that would jeopardise the Middle East peace process, Reuter reports from Brussels.

"The Community and its member states express their grave concern following the recent decision by the Israeli government to deport 12 Palestinians from the Occupied Territories, an illegal decision with regard to International Law," the EC said in a statement.

# Lamont rules out EMS realignment

By Peter Norman, Economics Correspondent, in London

MR Norman Lamont, Britain's chancellor of the exchequer, yesterday went further than before in ruling out a realignment of currencies in the European Monetary System (EMS) and in admitting that the UK government's most recent forecast of economic growth was over-optimistic.

Speaking on TV-am, the British breakfast television station, he appeared to rule out any move by European finance ministers to change EMS parities.

"There won't be a realignment conference," Mr Lamont said. Realignment was another word for devaluation and he had made "crystal clear" there would be no devaluation of the pound. Instead companies should adjust their costs to sterling's exchange rate, he said.

On the UK economy, Mr Lamont admitted the forecast of 2¼ per cent growth for this year in last November's autumn economic statement "will prove to have been somewhat over-optimistic".

The strength of growth around the world had slowed since June. US forecasts on recovery had "gone out the window". Germany, Europe's most powerful economy, had moved into recession and industrial production in France and Italy was lower than a year ago.

However, he believed there would be recovery in Britain. Growth would be gradual at first, but accelerate towards the end of 1992. "You don't just go into a recession and come out of it like a rocket," he said.

Last year's interest rate cuts, rising real incomes and the repayment of debt would all encourage people to start spending again. "What we need is confidence," Mr Lamont said. He was encouraged by the recent strength of Wall Street, which pointed to growth in 1992, and predicted that confidence would rise in Britain as the US economy improved.

Mr Lamont said the UK would be in a very strong position once recovery was under way. Britain's share of world trade was stable; the economy would benefit from the large-scale investments made in the late 1980s; there were more small companies, making for a more dynamic economy, while Britain's strike record was "better than ever before".

Labour criticism, Page 5

Soviet troops in Kiev sign the oath of allegiance to Ukraine, which aims to establish an independent, 600,000-strong army from the forces of the former Soviet Union and is bidding for control of the Black Sea fleet

## Battle for Black Sea fleet threatens commonwealth

Continued from Page 1

Russia's security.

Mr Yevgeny Ambartsumov, deputy head of the foreign affairs committee, warned yesterday: "This is playing with fire ... it could also become a weapon in the hands of conservatives."

He said Russia would have little choice but to use force if the two sides failed to agree. But he added that a solution was still possible, saying the issue was best tackled at the highest level, by President Boris Yeltsin and his Ukrainian counterpart, Mr Leonid Kravchuk.

In Kiev Mr Vasily Durdinets, chairman of the Ukrainian parliament defence committee, said more negotiations were needed because of differences over the size of the fleet to be transferred to the Ukraine.

According to one western military attache, Russia, which also has some coastline on the Black Sea, had legitimate fears that the loss of the fleet to Ukraine would leave it with an exposed flank. There are also important economic issues in dispute. Even if the ships are parcelled out, the two republics could still argue over the future of Sevastopol, the well-equipped port where the fleet is headquartered, and over ownership of vessels still under construction there.

Given the need for good relations with Russia and the financial difficulties Ukraine would face in trying to take over the entire fleet, the two sides are under strong pressure to find a compromise.

Mr Ruslan Khasbulatov, the Russian parliament's chairman, warned darkly that Russia would defend the Soviet armed forces from takeovers by republican authorities.

# Hyundai chief to set up political opposition

By John Ridding in Seoul

THE FOUNDER of Hyundai, the leading South Korean industrial group, has announced that he is to retire from business and form a new political party to oppose the government.

The decision by Mr Chung Ju Yung, one of the country's leading industrialists, will widen a developing rift in the traditionally close relationship between government and the big conglomerates at the heart of the Korean economy.

The move follows Mr Chung's announcement on Friday that he was retiring from business after a career in which he transformed Hyundai from a small construction company into a conglomerate with annual sales of $40bn.

His political ambitions will add to the problems facing the ruling Democratic Liberal party as it prepares for a series of important elections this year, culminating in a presidential poll.

An official at Hyundai, Korea's largest car manufacturer and biggest shipbuilder, said Mr Chung was aiming to field candidates in parliamentary elections due by early May. Mr Chung would also offer his support to a candidate for presidential elections due by the end of the year, the official said.

A party formed by Mr Chung would face the difficult task of overcoming growing public resentment towards big business. Its initial aim would be to win a minimum of 20 of the 299 seats in the national assembly.

But a party headed by the charismatic business leader would be a thorn in the side of the DLP. The ruling party, which holds two-thirds of the seats in the national assembly, has seen its popularity eroded by a host of economic problems, ranging from double digit inflation to a rapidly expanding trade deficit. It is also threatened by increased friction between the three factions in the party.

Mr Chung, a vocal critic of government economic policies, has clashed with the administration of President Roh Tae Woo on several occasions. In September, Mr Chung, members of his family, and subsidiaries of the Hyundai group were levied penalty taxes of won 136.1bn ($181.5m) for tax evasion and irregular share transactions.

Details of Mr Chung's political policies are expected to announced later this month.

# Panic, and other kinds of policy

By Anthony Harris

In the long run up to the 1967 devaluation of sterling, Mr Harold Wilson was fond of saying that he was not going to take the easy way out. In the end, he provoked The Economist into asking the obvious question: If there is an easy way out, why on earth not take it?

He did, of course (though it was not, in fact, easy). So when present-day leaders announce that they are not going to adopt panic policies – presumably to distinguish themselves from politicians who announce that they are going to adopt panic policies – wise men check over their survival kits. If ministers are panicking, why shouldn't they?

The wrong answer is to recite clichés about the darkest hours coming just before the dawn. The history of credit bubbles shows that once confidence has vanished, it takes some years to recover. Even in the 1970s, when rapid inflation devalued debt at such a rate that property prices could fall by more than a third in real terms without triggering more than a handful of defaults, lenders remained cautious for about a decade.

This time round, the banks' losses are still growing, as each round of failures drags more companies down with unpaid bills; we don't yet know when the darkest hour will come. The course was chosen when the government decided to mount a fierce squeeze against inflation just as the bubble burst, thus taking the adjustment through bankruptcies rather than the general default which follows when debts are devalued. Such a policy could be seen as bold, or at worst foolhardy, if ministers were frank about its meaning. When they waffle of green shoots, it just looks stupid.

As for the depression which results from an over-valued currency, there is no time limit at all. It is, as we will be reminded ad nauseam, 500 years since Columbus landed in the New World. The resultant influx of gold and silver into Spain dealt that economy a blow from which it is only now recovering, for men will never work and produce when there is an idle alternative. British uncompetitiveness first appeared troubling more than a century ago, when earnings from overseas investment provided about a 10th of our consumption. Two world wars dissipated that capital, but we still suffer from old bad habits.

Adjustment to the disciplines of the ERM is meant to complete that process, and should not take quite so long, but it is not easy. That is shown by the long slowdown in France, the current near-panic in Italy (long the most dynamic of the European economies), and the possibly terminal decline of the Irish Republic, where the brightest and best are simply emigrating. Indeed, such an adjustment is like sports training: strengthening if it is manageable, but possibly fatal if you overdo it.

So it is reasonable to ask whether the regime the UK has adopted is manageable or dangerously debilitating. The panic lies in refusing to face such an uncomfortable issue at all. The one country which seems to recognise this is the one for which the question is academic: Germany. It is no secret that the Germans regard some partner currencies as dangerously over-valued.

**The biggest employment problem of 1992 is an unfilled vacancy: a leader to turn attention from domestic discomforts to the huge problems and opportunities of a bigger world**

The Bundesbank is currently the victim of much spiteful comment from countries which find its current credit policy uncomfortable; but its president, Dr Karl Schlesinger, in a little-reported new year interview, defended his stance as necessary for Germany and pointedly remarked: "The ERM is not a fixed exchange rate system." In other words, the UK is victim not of German choices, but of its own.

It would be reassuring to be able to forecast with confidence, as an increasing number in the City do, that this is just a burst of pre-election folly, and that an ERM realignment will quickly follow the British and Italian elections. Unhappily, it can't be taken for granted. Neither election looks likely to produce a strong, self-confident government; and for weak politicians there is a tempting populist alternative.

Nobody is openly talking protectionism yet, but the smell is in the air. President Bush, after suffering Australian protests about US farm subsidies, is arriving in Tokyo ready for a trade confrontation. He is soft-pedalling his proposed North American Free Trade Area – his most solid real achievement – in face of protests about exporting American jobs to Mexico. The French are blocking the Gatt agreement apparently to pacify their farmers; but if French car workers soon protest at cheap Fiats and Volkswagens from Czechoslovakia and Poland, they will no doubt get a sympathetic hearing too.

Allowing this trend to develop, however stealthily, would be a real panic measure. It would mean that the country is running away from problems it does know how to solve – currency misalignments, and inadequate investment demand – to court others that might have no peaceful solution at all. The television news editors here show more sense than the leaders. They fill screens with reports from the ex-communist economies at a time when hardly any politicians have anything serious to say.

Yet this is by far the most important policy challenge for the next decade and more. It demands that not only some aid in filling food shelves is provided now, but above all a future opportunity for these economies to earn their living. If aid is provided, they could in due course emulate the miracles we have seen in the war-devastated economies of Europe and Japan. If they are blocked, a tidal wave of refugees looks the likeliest result; but, given that these are militarised and nuclear-armed countries, it is by no means the worst that can be imagined.

If this analysis is right, the biggest employment problem of 1992 is an unfilled vacancy: a leader to turn our attention from our domestic discomforts to the huge problems and opportunities of a bigger world. Chancellor Kohl has made some of the right noises; President Mitterrand could do with a world role; a re-elected President Bush might get the right advice from ex-President Nixon.

Major? Kinnock? It is surely more realistic to adopt the Micawber pose, and hope that somebody turns up.

# Mauroy expected to quit as Socialist leader

By Alice Rawsthorn in Paris

MR Pierre Mauroy is expected to announce his resignation as head of the French Socialist party this week, heralding a reshuffle of senior figures in the party in an attempt to revive its re-election prospects.

Party officials would not confirm reports of the impending resignation yesterday, first leaked in the daily newspaper Libération, which is close to the Socialist leadership.

However, Mr Mauroy, a former prime minister, is believed to have already told Mr François Mitterrand, the French president, of his decision to resign and is expected to make a public announcement tomorrow. Mr Mauroy is believed to be disillusioned with party infighting.

The newspaper reports said that Mr Mauroy wanted his job to go to an ally of a man widely seen as a leading contender to succeed Mr Mitterrand, Mr Jacques Delors, the current president of the European Commission.

Mr Laurent Fabius, another former French prime minister, and Mr Michel Delebarre, minister of towns, have been mooted as the likeliest contenders to succeed Mr Mauroy as head of the party.

Mr Fabius, now president of the national assembly, has made no secret of his hopes of securing the position. Mr Delebarre is regarded as Mr Mauroy's own favoured candidate.

However, Mr Mauroy's surprise departure would be likely to pave the way for wider changes in the Socialist hierarchy.

The party is desperately trying to regain popularity in the run-up to both this year's regional elections and to the national elections to be held next year.

The Socialists have been losing support since the controversial appointment of Mrs Edith Cresson as prime minister last spring and the subsequent economic slowdown.

The latest opinion poll showed that the Socialists' popularity had fallen from 53 to 36 per cent since June. President Mitterrand's own approval rating fell to 22 per cent, the lowest for a French president in the 33 years of the Fifth Republic.

Mr Jack Lang, the flamboyant minister of culture and government spokesman and a long-standing ally of Mr Mitterrand, said the Socialists were "ready to go on the attack" by delivering a "clear, clean riposte" to the right.

Mr Lang said that over the past few days the president had demonstrated that he was "not ready to be sheared like a sheep".

The Sunday newspaper Le Journal du Dimanche said Mr Mauroy was "exhausted by the clashes in the party and had decided to let the belligerents fight it out among themselves."

## WORLDWIDE WEATHER

UK today: Cloudy with patchy drizzle on coasts and hills with brighter breaks inland and in the east. Mild with gales in the north and west. East and south Scotland will be drier and brighter than the north.
Outlook: Cloudy with rain spreading south followed by colder clearer conditions spreading across the north.

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| Amsterdam | R | [illegible] | [illegible] | Bristol | C | 12 | 54 | Dubrovnik | | – | – | Isle of Man | R | 6 | 43 |
| Athens | S | 15 | 59 | Brussels | C | 10 | [illegible] | Edinburgh | F | 4 | 39 | Istanbul | F | 10 | 50 |
| Bahrain | S | 12 | 54 | Budapest | F | 5 | 41 | Faro | S | 14 | 57 | Jersey | S | 11 | 52 |
| Barcelona | S | [illegible] | [illegible] | Buenos Aires | | – | – | Florence | F | 10 | 50 | Johannesburg | F | 27 | 81 |
| Belfast | R | 6 | 43 | Cairo | S | 14 | 57 | Frankfurt | C | 8 | 46 | Las Palmas | S | 19 | 66 |
| Belgrade | F | 7 | 45 | Cape Town | S | 25 | 77 | Geneva | S | 5 | 41 | Leeds | R | 5 | 41 |
| Berlin | F | 6 | 43 | Cardiff | C | 12 | 54 | Gibraltar | C | 15 | 59 | Lisbon | S | 7 | 45 |
| Biarritz | S | 9 | 48 | Chicago † | C | 2 | [illegible] | Glasgow | F | 5 | 41 | Locarno | C | 4 | 39 |
| Birmingham | R | 11 | 52 | Cologne | R | 8 | 46 | Guernsey | F | 11 | 52 | London | C | 13 | 55 |
| Blackpool | R | 11 | 52 | Copenhagen | S | 4 | 39 | Helsinki | S | -1 | [illegible] | Los Angeles † | R | 13 | 55 |
| Bombay | S | [illegible] | [illegible] | Corfu | F | 13 | 55 | Hong Kong | R | 16 | 61 | Luxembourg | R | 7 | 45 |

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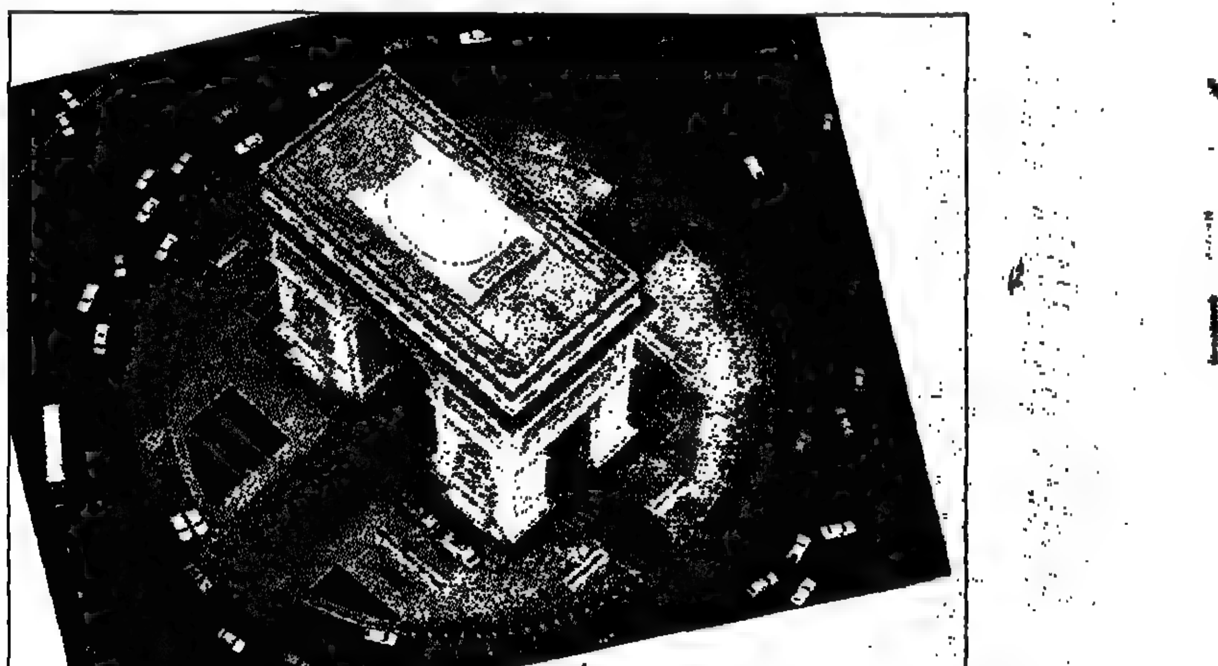
| Madrid | S | 5 | 41 | Naples | F | 12 | 54 | Reykjavik | C | 2 | 36 | Tenerife | S | 21 | 70 |
| Majorca | S | 13 | 55 | Nassau | | – | – | Rhodes | F | 16 | 61 | Tokyo | S | 11 | 52 |
| Malaga | S | 16 | 61 | Newcastle | R | 4 | 39 | Rio de Janeiro | | – | – | Toronto † | C | 2 | 36 |
| Malta | F | 15 | 59 | New Delhi | S | 18 | 64 | Rome | S | 13 | 55 | Tunis | S | 14 | 57 |
| Manchester | R | 11 | 52 | New York † | C | 6 | 43 | Salzburg | F | 4 | 39 | Valencia | F | 10 | 50 |
| Melbourne | C | 16 | 61 | Nice | S | 11 | 52 | S'Francisco † | R | 11 | 52 | Vancouver † | S | 1 | 34 |
| Mexico City | | – | – | Nicosia | S | 14 | 57 | Seoul | F | 2 | 36 | Venice | S | 4 | 39 |
| Miami † | S | 11 | 52 | Oporto | S | 11 | 52 | Singapore | R | 29 | 84 | Vienna | F | 8 | 46 |
| Milan | Fg | -1 | 30 | Oslo | S | 2 | 36 | Stockholm | S | 0 | 32 | Warsaw | F | 4 | 39 |
| Montreal † | Dr | 1 | 34 | Paris | C | 11 | 52 | Strasbourg | F | 8 | 46 | Washington † | C | 8 | 46 |
| Moscow | S | 1 | 34 | Peking | Sn | -1 | 30 | Sydney | C | 21 | 70 | Wellington | F | 15 | 59 |
| Munich | S | 8 | 46 | Perth | S | 32 | 90 | Tangier | S | 16 | 61 | Zurich | S | 7 | 45 |

Temperatures at midday yesterday † Noon GMT temperatures C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder



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## INSIDE

### Portugal plans Petrogal sell-off

Petrogal, the Portuguese oil group and the country's largest company, is to be 90 per cent privatised with the sale of an initial 51 per cent stake this year. The government hopes to raise about Esc130bn ($167.7bn) from the privatisation. Page 15

### Steetley pledge on payout

Steetley, the UK building materials group facing a £595m ($1.08bn) hostile bid from Redland, one of its bigger rivals, has promised to maintain its dividend for 1991 in spite of an estimated 62 per fall in pre-tax profit. Page 14

### Tenneco's reluctant tough guy


Mr Michael Walsh, the new chief executive of troubled US conglomerate Tenneco, has unleashed a whirl of change since he arrived at the staid Houston company last autumn. His actions have earned him a tough guy image, which he hates. "It's a question of being realistic," he says. Page 15

### Uncharted waters

A unique challenge faced Chartered WestLB bank when it took on the task almost four years ago of finance adviser to the $2.5bn Lesotho Highlands Water Project. On the one hand the country paying for the project was not the country responsible for it and on the other the two countries involved – Lesotho and South Africa – were among the world's worst investment risks. Page 14

### Stronger pound buoys gilts

Yields on UK gilt-edged securities edged down as market-makers late last week bought the bonds, which were buoyed by a stronger pound and government reassurances that devaluation was not an option. Page 18

### Lively year for equities

Equity markets sprang back to life last year: the value of international share issues, at $20.3bn, was more than 50 per cent up on the previous 12 months. And with the US stock market roaring ahead, dragging others behind it, the queue of issuers waiting to raise fresh equity capital points to a record start to 1992. Page 16

### Market Statistics



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# Moscow bank saved from closure

By Vanessa Houlder, Property Correspondent, in London

MOSCOW NARODNY bank has satisfied the Bank of England that it has adequate capital, following the injection of new funds from Vnesheconombank, the former Soviet trade bank.

The new funds have prevented the possible closure of MNB, which has been threatened by the mounting economic crisis in the former Soviet Union.

Vnesheconombank transferred £70m ($127.4m) to Moscow Narodny, raising its total capital to £190m, an rise of 58 per cent.

The injection follows a commitment by the Russian government at the end of November to provide sufficient financial support for MNB to meet its obligations. This followed talks with the Bank of England, which was concerned about possible withdrawal of deposits by western banks in response to the economic crisis in the former Soviet Union.

The new funds will allow MNB to make additional charges against loans to the former Soviet Union and eastern European states.

"We are raising capital to guard against contingencies," Mr William Newman, assistant general manager of MNB, said at the weekend. MNB's shareholders have already channeled new funds to the bank. In June 1990 it received £17m and in February 1991 it received £26m to help write off its Bulgarian debts.

MNB is 51 per cent owned by Gosbank, the former Soviet central bank and Vnesheconombank, which is under the administrative control of the Russian central bank. Talks are underway about the transfer of the Vnesheconombank and Gosbank stakes to the Russian central and foreign trade banks.

The Russian government has made a commitment to central banks to provide backing for the Soviet-owned Banque Commerciale de l'Europe du Nord in Paris, the Ost-west Handelsbank in Frankfurt, the East West United Bank in Luxembourg and Donau Bank in Austria.

These banks were required to clarify their position with their regulatory authorities under an agreement by the Group of Seven industrial countries to defer Soviet debt repayments. The G7 was concerned that a liquidity crisis at one of Vnesheconombank's western subsidiaries would damage the west's financial system.

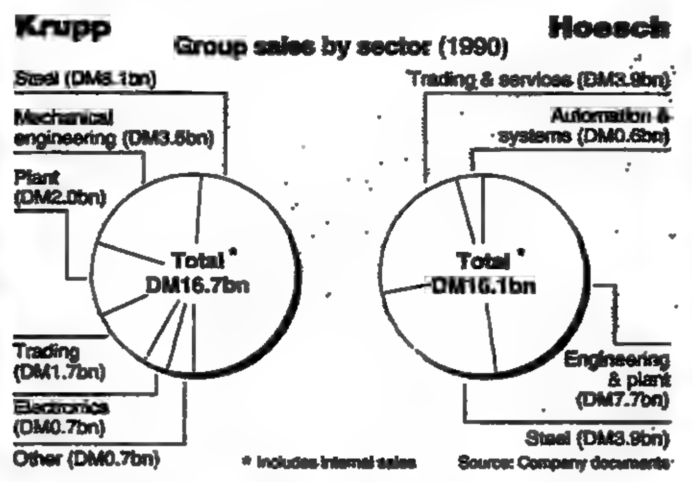
MNB, which has operated as a Soviet-UK trade bank in London since 1919, is thought to have a continuing role in financing trade and investment for Russia.

At the end of 1990, it had deposits of £1.5bn, roughly divided between Vnesheconombank and western banks.

The Krupp-Hoesch wedding is no love match, writes **Christopher Parkes**

# Hauled down the merger aisle


Krupp's Gerhard Cromme





Hoesch's Kajo Neukirchen

The unsuspecting bride-to-be needed a sharp kick to get her through the church door. She thought her friend had brought her somewhere quiet to talk about their future. Marriage was not in the forefront of her mind. But the groom had other ideas.

Thus, with an armlock on his intended, Mr Gerhard Cromme, chief executive of Krupp, hauled Mr Kajo Neukirchen, head of Hoesch, down the aisle to endure the formalities of what has become popularly known as "the elephants' wedding".

Two of the oldest and proudest names in German steel and engineering are to be joined, provided the high priests of competition policy in Brussels and the Berlin cartel office give their blessing.

It is not a love match. "Unfriendly," said Mr Neukirchen, on receiving his first forceful prompting – news out of the blue in October that Krupp had scooped up 24.9 per cent of Hoesch stock.

But the negotiations on co-operation, which had been continuing on and off since the 1970s, carried on uninterrupted. The balance, however, had shifted, and most of the pressure to co-operate was on Hoesch. Apart from its purchases, Krupp had won the support of banks and institutions holding 55 per cent of its target's stock.

Forceful rather than hostile, a takeover by arrangement – no formal bid has been tabled – rather than a negotiated merger of convenience, Krupp's move against its Dortmund neighbour differs from other recent intra-German link-ups mainly in the measure of blatant coercion and apparent guile brought to bear by Mr Cromme.

Covert stock purchases on such a scale are untypical of German mergers, and Krupp's claim that it bought its initial stake because of "rumours about a takeover of Hoesch from abroad" smacks more of pandering to xenophobia than a reflection of the realities of life in the incestuous German takeover market.

A leading candidate, the rumour-mill said, was British Steel. Its chairman, Sir Robert Scholey, pleads not guilty. Krupp's plan was "a clever chess move", he said in a recent German interview. But as for British Steel's bidding for Hoesch: "That was a rumour put about to hide the truth."

Personalities have also played an unusually large role. Both company leaders are relatively young men by German business standards, out to make their mark in flagship companies.

Mr Cromme, 52, the former head of Krupp's steel business, who can be best characterised as a tactician with teeth, has so far won the public relations battle with carefully placed statements and interviews.

He flatly rejects suggestions that he is making an opportunistic bid, taking advantage of newcomer Mr Neukirchen, 49, who had been at Hoesch for only three months when Krupp pounced.

Mr Neukirchen, who made his reputation reshaping the Klöckner-Humboldt-Deutz engineering group, may understandably have wanted time to attempt the same at Hoesch. The hurried publication in November of a wholesale restructuring strategy entitled Hoesch 2000, outlined his ambitious proposals for the development of nine strategic divisions.

But Mr Cromme, looking outwards to the threatening crisis in the international steel industry, and the impending opening of the single European market, feels more radical and urgent action is required. "In the long run, neither of us has a real chance of survival alone," he said recently.

He has otherwise adhered faithfully to the indigenous merger formula. He has, for example, dutifully made his case in all the necessary political, financial and social circles.

There are deep-seated traditional rivalries between companies and the workforces who identify closely with them – Dortmund is Hoeschianer territory and Essen belongs to the Kruppianers – and they are regarded with the utmost respect. Local pride demands as much consideration in Germany as shareholder sensitivities in Britain.

Politicians also often wield considerable power through state holdings in regional banks and institutions which tend to have large stakes in local companies.

Early in the tussle, Mr Johannes Rau, prime minister of North Rhine Westphalia, home state to both companies, declared diplomatically that the state government had no role to play in the decision.

He added, however, that nothing would happen to the 12 per cent of Hoesch held by the local WestLB bank until an overall strategic plan for the new "partnership" had been presented.

Even though he was clearly shaken by the initial Krupp stake, Mr Neukirchen and his board carried forward the negotiations about the benefits and possibility of achieving a "merger", and there have been no more public protests since then.

There was not a murmur when Krupp applied the stick again just before Christmas with the announcement that it had taken its holding to 51 per cent and claimed the deal would be completed by this summer.

Tossing a carrot to other shareholders, it added that talks had revealed synergies from the combination of the groups which would show savings of "several hundred million D-Marks".

The full merger proposal, agreed between the two companies, was sent off to the competition authorities in Brussels and Berlin over Christmas, with Krupp as confident as ever that no objections were expected.

Details are also understood to have been made known to the WestLB bank and others among the holders of the 45 per cent of stock not already owned by or pledged to persuasive Krupp. The aim is to avoid any need for overt aggression which might in the last resort have to be used to overturn Hoesch's anti-takeover voting limits.

Clear-cut hostility still has no place in the German takeover code. To date, Mr Cromme has demonstrated an ability to apply just the right amount of persuasive force at the right time.

He has been careful not to break the mould of corporate courtship in Germany, but has shown that a good shaking can work wonders.

# Ratner returns to UK amid mounting concern

By John Thornhill in London

MR GERALD RATNER, controversial chairman of Ratners Group, last night flew back from New York to London to confront mounting concern about the financial future of the jewellery company he built up from a small family business into the UK's biggest chain.

This week Ratners will make a statement about the company's prospects following what is believed to have been a dismal Christmas trading period. It is thought the group's aggressive discounting failed to stimulate sales sufficiently to avoid a massive erosion of margins.

City of London analysts suggest the company's losses may have deepened following the £17.7m ($32.2m) deficit at the interim stage. Last year the group made pre-tax profits of £112.1m.

If trading has been as weak as feared, Ratners may be in danger of breaching its banking covenants and may be forced into seeking a restructuring of its unwieldy short-term debt.

In the past Ratners has toyed with the idea of floating part of its US operations or selling assets in the UK to raise cash. But this would be difficult given market conditions on both sides of the Atlantic.

The group's problems have been exacerbated in the US where Zale, the country's biggest chain, seems to be heading towards seeking protection from its creditors under Chapter 11 of US bankruptcy laws. Sales at Ratners's 1,000 Sterling and Kay stores have been hit as Zale has dumped stock on the market at greatly reduced prices.

Ratners' shares have fallen heavily over the past year from a high of 191p to 22p. The company has a market value of £64.5m.

For several months Ratners has been looking to recruit a high-profile chairman to restore confidence and allow Mr Ratner to split the positions of chairman and managing director.

Several big institutional investors have sold their shareholdings in recent months as the recession and Ratners' high borrowings took their toll.

The company has also suffered from adverse publicity after Mr Ratner's remark last April that a cheap sherry decanter set sold well because it was "total crap".

Since becoming managing director eight years ago, Mr Ratner has expanded the chain in the UK from 130 stores to more than 1,000.

# News from the north lightens British gloom

## Economics Notebook

By Peter Norman

AFTER the celebrations, the hangover. As far as the British economy is concerned this seasonal observation holds truer at the start of this year than most.

Economic forecasters have been revising down their projections of growth in 1992 as fast as their computers will let them. The number of company failures looks poised to rise further from last year's record total. Employment prospects are bleak, especially in the service industries.

But look north, away from the recession-battered south east, and there are signs of hope amid the gloom. The latest Institute of Directors' bimonthly poll of 300 business leaders found that company bosses in the north were more optimistic about the economy than elsewhere in the UK. Directors in the north and midlands were significantly more inclined to increase investment and employment than those in the south.

A survey of 500 chief executives and finance directors of owner-managed businesses conducted by MORI for business and financial advisers Ernst & Young found a similar trend. Only 54 per cent of respondents in London and the south east were confident of an economic recovery this year, while in other regions between 66 per cent and 70 per cent were optimistic.

A Huddersfield-based stock broker – B.W.D. Rensburg – said last week that part of the north stretching from the Lake District to North Yorkshire was becoming one of England's most prosperous areas. Disposable incomes were often as high as in the south while lower outgoings made people better off.

Such a claim would come as no surprise to the Reward Group, which compiles a quality-of-life index for middle managers on a regional basis. This index, based on the cost of living and average salaries, puts Scotland first among the British regions last year, followed by the north and Yorkshire and Humberside. The south east and greater London were at the bottom of the table.

Economists increasingly believe the more distant regions of Britain will fare better than the south east this year. Mr Simon Briscoe of Midland Montagu sees a "multi-track Britain" in 1992 with recovery beginning in Scotland and the north of England only to reach the south east sometime later.

Mr David Kern, National Westminster Bank's chief economist, expects the south east's economic performance will lag behind the UK for the third year running and fail to catch up with the national average in the five years to 1996.

Mr. Kern believes gross domestic product in the south east (including London), the south west and East Anglia declined between 2.8 per cent and 3.2 per cent in 1991 compared with his forecast of a 2.3 per cent fall in economic output for the UK. The numbers out of work in the south have risen so rapidly in the past 18 months the three southern regions now have more jobless people than the north, north west, Yorkshire and Humberside and Scotland combined, he points out.

Does this mean Britain's north-south divide will disappear?

Figures for 1990 issued last week by the Central Statistical Office suggest it is too early to write off the south. GDP per head of £10,400 ($18,928) in London was 27 per cent higher than the national average and still further ahead of the north of England's £7,230, Wales's £6,960 and per-capita GDP of £6,200 in Northern Ireland, the poorest UK region.

One problem is the sheer weight of Greater London and the south east in the UK's centralised economy. Together, these areas accounted for 36 per cent of GDP in 1990. So long as the economy in the south remains depressed, the whole UK economy is likely to experience subdued growth.

However, Mr Simon Briscoe of Midland Montagu argues that the north and Scotland should reap the benefits of often painful economic restructuring in the 1980s. While the south east is experiencing post-boom retrenchment in the financial services sector, with adverse effects for the housing market and construction, more distant parts of Britain frequently have a varied manufacturing base and growing service industries.

Regions outside the south east have been the greatest beneficiaries of inward investment from Japan, the US and Germany. Public sector employment contributes more to GDP in the regions and so acts as a cushion against recession.

On the other hand, NatWest's Mr David Kern sees some element of the traditional north-south divide remaining a feature of the UK economy over the next five years in spite of a reduced gap in regional growth rates compared with the 1960s.

He believes the northern regions should sustain an improvement in confidence apparent in recent years and so attract successful businesses. However, he expects East Anglia, the south west and the central regions of the east and west Midlands and Wales will be the areas of strongest growth in the next few years as businesses relocate from the congested south east.

In spite of the generally improved outlook for Britain's regions, a new discussion paper* from the Department of Land Economy at Cambridge University argues that there is "a pressing need for a coherent and well-resourced regional policy" in the UK.

Its authors, Mr Ron Martin and Mr Peter Tyler, say government policies since 1979 towards the UK's depressed regions have not cured their fundamental problem of a weak industrial structure.

"There is little evidence that Thatcherism unleashed and fostered an enterprise revolution in the depressed regions," they say. Instead, new and growing sectors continued to concentrate in the south east throughout the 1980s.

Messrs Martin and Tyler say the government should spend more on Britain's regions because they are likely to face increased competitive pressures as Europe integrates.

It is unlikely theirs will be the last such call. By agreeing at Maastricht that "the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions", EC leaders have ensured that pressures will grow for more active regional policies throughout the community.

**The Regional Legacy of the Thatcher Years, Discussion Paper 36. Department of Land Economy, University of Cambridge, 19 Silver Street, Cambridge CB3 9EP.*

# Liffe lifts trading to new high

By Tracy Corrigan in London

FUTURES and options trading on the London International Financial Futures Exchange (Liffe) reached a new high of 39m contracts in 1991, ahead of the Matif, its French rival.

In its ninth successive record year, Liffe recorded average daily volume of more than 150,000 contracts, up 13 per cent on 1990. Volume in the most actively traded contract, the German government bond (Bund) future, exceeded 10m, in spite of an aggressive counter-attack by the DTB, the German futures exchange.

Liffe's Italian government bond (BTP) future was the most successful of the six new contracts launched last year, trading nearly 500,000 contracts since its launch in September, and beating off a rival contract from the Matif.

However, Liffe failed to make up crucial ground on the Matif's Ecu bond future contract launched the previous year. Volume in Liffe's Ecu bond contract, which began trading in March, dwindled to five contracts in December. The rival contract on the Matif, while less than a raging success with average daily volume of just over 2,000 contracts, has at least gained a crucial foothold in a market which could soon be Europe's largest.

Once its merger with the London Traded Options Market is completed in a few months, Liffe will have to concentrate its efforts on reviving London's moribund stock option market.

So far, the exchange has been unable to attract enough potential market makers in equity options to create a viable market-making system, and may be forced to consider a move to screen-based trading of stock options.

European futures, Page 16

*All these securities having been sold, this announcement appears as a matter of record only.*

*August 1991*

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# Steetley expects to hold dividend despite profit fall

By Jane Fuller

STEETLEY, the building materials group facing a £595m hostile bid from Redland, one of its bigger rivals, has promised to maintain the dividend for 1991 despite an estimated 62 per cent fall in pre-tax profit.

The expected profit figure of £32.5m, shown in Steetley's defence document, sent out on Saturday, compares with £85.2m in 1990.

The 14p total dividend would not be covered by estimated earnings per share of 12.9p. A plan to at least maintain the dividend again in 1992 was defended as prudent by Mr Richard Miles, Steetley's managing director yesterday, because of the group's strong cash flow.

Redland said the document focused on the past, and criticised Steetley for taking £15.1m of extraordinary costs – half of them for the bid defence. However, Mr David Donne, Steetley chairman, retorted: "This is just clutter in radar terms. We are talking about more fundamental issues, such as weaving a focused business."

The bid defence document stresses Steetley's growth record in the five years to 1990, when operating profit went up by a compound 22 per cent a year. The profit peak came in 1989 with £110.9 pre-tax.

In the same period, it says the predator's operating profit and earnings per share grew more slowly, and its share price performed less well. Redland countered that in the most recent five years, its pre-tax profit and earnings did better.

Steetley accuses Redland of trying to grab valuable assets "in the trough of a recession for well below their proper worth". The 85-for-100 all-share offer values the target's shares at just over 372p, about 29 times the estimated 1991 earnings but only 8.1 times the 1989 peak.

Among the long-term prospects highlighted in the defence document are the market positions Steetley has built up in France and Spain. In 1990, overseas activities contributed 52 per cent of operating profits, although a hard continental winter, the Gulf war and recession in Canada took their toll in the first half of 1991.

Steetley also stresses the advantages of the joint venture planned with Tarmac before the bid jeopardised it. The venture aims to reduce brick-making capacity and to make savings of up to £10m.

It would continue Steetley's efforts to cope with the falling UK brick market, down from 4.5bn units in 1988 to about 3.1bn last year.

Richard Miles: dividend aim is prudent

The defence document also goes on the offensive against the efficiency of Redland's UK brick factories, saying that costs are greater and a high level of stock is being carried. Redland replied that it made more profit per brick.

# Dean & Bowes acquisition move

DEAN & BOWES, public house refurbisher, which last year disposed of its loss-making furniture making and sinage businesses, has acquired Giles & Co, a Sussex-based holiday centre and hotel construction company.

Dean & Bowes, which acquired EJ Reilley, snooker table manufacturer, last December for £1.7m, announced a drop in pre-tax profits from £1.71m to £301,000 in the first half of 1991. Mr Stephen Dean, chairman, said at the time of the results that there "was no chance we would announce a loss" for the year, but he thought the group would only break even.

The Giles deal involves a payment of 3 per cent of the next three years' turnover which is expected to amount to some £5m.

The payment will be spread over the three-year period and the acquisition is expected to add some £350,000 to net profits of Dean & Bowes over this time.

NOTICE OF REDEMPTION AND TERMINATION OF CONVERSION RIGHT

To the Holders of

**Duty Free International, Inc.**

7% Convertible Subordinated Debentures Due 2001

Redemption Date: January 19, 1992

Conversion Right Expires 5:00 p.m., New York City time, January 19, 1992

(CUSIP No. 267084 AA 9)*

Duty Free International, Inc., a Maryland corporation (the "Company"), hereby notifies you that it has elected to call for redemption on January 19, 1992 (the "Redemption Date"), pursuant to the provisions of the Indenture, dated as of April 15, 1991 (the "Indenture"), between the Company and The Chase Manhattan Bank, N.A., as trustee, all of its outstanding 7% Convertible Subordinated Debentures Due 2001 (the "Debentures") at a redemption price of $1,080.00 per $1,000 principal amount of Debentures, together with accrued and unpaid interest from April 15, 1991 to the Redemption Date of $33.28, for a total of $1,113.28 (the "Redemption Price") for each $1,000 principal amount of Debentures. [illegible]

[illegible]

January 6, 1992

Duty Free International, Inc.

*This CUSIP number has been assigned to this issue by the CUSIP bureau and is included solely for the convenience of the holders of Debentures. Neither the Company nor the Agent shall be responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness on the Debentures or as indicated in any redemption notice.

Schedule of Conversion and Paying Agents

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The Chase Manhattan Bank, N.A.
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For Redemptions Only:
The Chase Manhattan Bank, N.A.
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Box 2020
1 New York Plaza–14th Floor
New York, New York 10081

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Bond Conversion Department
1 New York Plaza–14th Floor
New York, New York 10081

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New York, New York 10081

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L-2338 Luxembourg-Grund
Luxembourg

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63 Rue du Rhone
CH-1204 Geneva
Switzerland

Banque Bruxelles
Avenue Marnix, 24
1050 Brussels
Belgium

The Company has made standby arrangements with Shearson Lehman Brothers Inc. (the "Purchaser") pursuant to which the Purchaser has agreed, subject to certain conditions, to purchase from the Company such number of shares of Common Stock that would have been issuable upon conversion of the Debentures which either have been surrendered for redemption or have not been surrendered for conversion prior to 5:00 p.m., New York City time, on January 19, 1992.

SHEARSON LEHMAN BROTHERS INC.

# Project that posed a real banking challenge

**David Dodwell** on the complexities of financing the Lesotho Highlands water scheme

THE Maastricht summit was a picnic in comparison with getting this project financed said Mr Perry Farmar, lighting his seventh cigarette in less than an hour.

One had to wonder whether he was a smoker until his bank, Chartered WestLB, took on the task almost four years ago of finance adviser to the $2.5bn (£1.37bn) Lesotho Highlands Water Project.

It is not the size of the project that makes it unique. Nor even that the country paying for it is not the country responsible for the project.

But mix these complexities with the fact that the two countries – Lesotho and South Africa – involved had to count among the world's worst investment risks when the project was mooted five years ago, and you have a unique financing challenge.

When financing was finally sealed late last year, the offshore funding alone involved 25 different facilities co-ordinated by seven lead banks in six currencies, five multilateral agencies and five government aid programmes. At least five South African banks are providing the bulk of R4.4bn (£870m) of commercial loans and export credits.

"The complexity of the loans, by their terms, characteristics and inter-relationships, has been a real banking challenge," says Mr Farmar, the director at Chartered WestLB who has been most closely involved in its role as project finance adviser. And this is just Phase 1A of the project.

By the late 1970s South Africa was anxious at the prospect of running short of water by the mid-1990s. The best long-term new source lay in the gushing streams and rivers of Lesotho's Maluti highlands. That was when the World Bank first began looking at the project, at the request of the Lesotho government.

More than a decade later, the first stage of a project is taking shape which will enable Lesotho to meet its own water needs, to become self sufficient in electricity and to sell South Africa all the water it needs.

South Africa is footing most of the bill. In resource-poor Lesotho, the water is called "white gold".

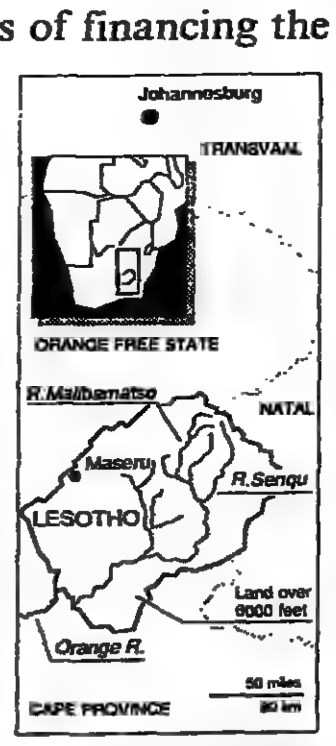
Phase 1A of the Lesotho Highlands Water Project involves two consortia comprising 12 international companies.

The consortium led by Impreglio of Italy will build a 180-metre-high dam at Katse, to be the highest dam in sub-Saharan Africa. The second consortium, led by Spie Batignolles of France, will construct 70km of tunnels.

Long term plans, stretching to the year 2020, involve four dams.

The first task in mounting the project was to ensure Lesotho rather than South Africa was responsible for the project. As one of the world's poorer countries, its status in attracting concessional aid and financing terms was essential. But Lesotho had none of the collateral needed to guarantee loans.

The problem for Chartered WestLB, then called Standard Chartered Merchant Bank, was to persuade potential lenders to cough up long-term funds for a project whose sole customer was to be South Africa,




which not only had acute debt problems of its own, but was also shunned for political reasons by the international financial community.

The result: what is probably a unique arrangement where providers of funds will be repaid not by the South African government, but by a London-based trust.

Despite early headaches with the trust approach – not least among them that trusts are almost wholly unknown among German and French banks – it offered several advantages:

- it provided a safe buffer for banks uncomfortable about a direct relationship with South Africa.
- it put all lenders on an identical footing in terms of rights to repayment.
- it meant that if South Africa were to default on debt service payments, it would automatically fall foul of all lenders – including the World Bank and national export credit agencies.

A second original aspect of Chartered WestLB's approach was to require contractors bidding for the work to come to the table with organised financing, while at the same time holding a separate "beauty contest" of banks interested and able to lead the funding of the project.

These banks were then introduced, without commitment, to the bidding consortia. This saved time, and gave appropriate emphasis to the importance of the financing package in selecting the preferred bid.

It is probably no accident that the five banks who "won" the beauty contest became the lead banks for the project – Banque Nationale de Paris and Crédit Lyonnais of France, Dresdner Bank and Kreditanstalt für Wiederaufbau from Germany, and Hill Samuel from the UK.

Alongside them were the multilateral agencies – principally the World Bank, which lent £110m, and Britain's Commonwealth Development Corporation, which has loaned £20.7m.

In the hope of attracting the best possible financing package, Chartered WestLB won agreement for a "more the merrier" approach to initial bids. This "post-qualification" of bidders, contrasting with the normal World Bank requirement for pre-qualification, meant that 35 bidding groups initially threw a bid into the ring. This was filtered to 12 groups, and finally to five serious bidding consortia.

This process added to the time taken to appoint the winning contractors, but created competitive pressures that probably succeeded in securing better financing terms. A full percentage point was pared from rates by use of "competitive pressures". Commercial loan periods stretched to six years.

Another two months, and the whole project would have been in jeopardy. Long-term OECD consensus interest rates of 8.3 per cent, agreed at the outset because of Lesotho's status as one of the world's poorest countries, would have had to have been revised upwards in line with prevailing consensus lending rates if funding had not been agreed by December.

Even now, long-term rand financing has to be finalised. The small local financing market was first wooed for R135m, with this bridging loan then being replaced by a larger facility of R750m. The final facilities, in which South African banks take the lead, should be signed this month. A total of R4.4bn has been raised.

"It has been a huge undertaking, and taken longer than anything else we have done," recalls Mr Farmar. "Our original contract was for 18 months, but even after three weeks I knew it would take at least two and a half years. In the end, it has taken three and a half."

The reward was clearly a handsome fee. But on that Mr Farmar remains coy.

# BAe acts to calm fears over Saudi project

By Financial Times Reporter

BRITISH AEROSPACE yesterday attempted to calm City fears that all was not well with negotiations for the second phase of the Al Yamamah defence project in Saudi Arabia on which the group's future heavily depends.

This phase is estimated to be worth up to £2.5bn to BAe and the contract already provides substantial cash flow for the cash-hungry group. City concern was reflected in a 10 per cent drop in BAe's share price last week in the first two trading days of 1992 at a time when the market was rising sharply.

BAe said of the Al Yamamah contract: "Talks are going very well indeed and we expect it will not be long before we hear about some future business."

Fears were sparked because last October Prince Bandar bin Sultan, Saudi ambassador to the US, said firm orders for the £10bn contract were on their way to British contractors and that the second phase of the Al Yamamah contract would be agreed by the end of the year.

"The City has been taking far too literally Prince Bandar's comments about signing by the end of 1991," BAe said last night. "Nobody is insisting on exact timing with a contract as complicated as this one."

The second phase follows the Al Yamamah contract signed between the Saudi and British governments in 1973.

BAe's share price last week was also affected by comments reported in a private note circulated by Nomura, the Japanese securities house, made by Sir Peter Levene, former head of Britain's defence procurement and now in charge of the London office of Wasserstein Perella, the US buy-out specialists.

According to Nomura, Sir Peter delivered a "pretty bleak analysis" of BAe's prospects. Apart from discussing the Al Yamamah contract, Sir Peter also referred to reports that the Germans would pull out of the European Fighter Aircraft (EFA) programme. BAe last night pointed out that the £4.5bn EFA programme was totally funded up to and including the production phase and none of the partners could withdraw.

BAe, which is investing £1.8bn for a one-third share of the work, pointed out that the Royal Air Force remained "totally committed" to the EFA project.

## IN BRIEF

BhS, a subsidiary of Storehouse which also owns Mothercare, is to sell its O'Connell Street, Dublin store to Primark, which is part of JC Penney. Primark, trading as Penneys, has undertaken to employ all existing full time and part time non-restaurant staff in O'Connell Street.

BARR & WALLACE Arnold Trust has sold its VAG motor dealership in York to Layerthorpe for £721,000.

NORTH SEA ASSETS has sold its 48 per cent shareholding in Dramgate for £1.2m. The shares will be purchased and redeemed by Dramgate. The book value of NSA's investment was £96,000 andproceeds will be applied towards the reduction of group debt.

# An appropriate mix of exits and entries

THE EARLY new year international mergers and acquisitions included an appropriate number of exits and entries, writes Brian Bollen.

UK retailing group Sears announced the disposal of its last remaining interests in the US, the Miss Erika women's fashion wholesaling business. Sears is pursuing a policy of concentrating on its core European retailing interests. Barclays said it sold its Barclays Danmark financing and leasing operation because it did not fit in with its core activities.

French electronic payments concern Sligos is belatedly entering the UK for the first time with its purchase of 51 per cent of Nexus Payment Systems. Swedish furniture retailer Ikea's first acquisition in the US is a Californian home furnishings chain, Stor.

German electrical and electronics group Siemens beat off its rivals to take control of a division of Skoda, Czechoslovakia's biggest engineering company. Under the deal, Siemens will acquire 51 per cent of Skoda's transport division.

Grand Metropolitan's decision to buy the 75 per cent of Italian drinks company Cinzano it did not already own will give it more direct control over the international marketing and distribution of its own brands.

**CROSS BORDER M&A DEALS**

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| Siemens | Unit of Skoda (Czech) | Transport | £36m | Siemens' second Skoda buy |
| Banco Comercial Portugues (Portugal)/ Banco Popular Espanol (Spain) | Banco Popular Comercial (JV) | Banking | £44m | New French bank launched |
| Investor Group (US) | Unit of Sears (UK) | Fashion wholesaling | £22m | Sear's last US disposal |
| Ikea (Sweden) | Stor (US) | Home furnishings | £11m | Ikea's first US buy |
| Brambles Industries (Australia) | Unit of Caird (UK) | Waste management | £6.2m | Non-core disposal |
| Axa (France) | Intec (US) | Insurance | n/a | Axa aims for stars |
| Sligos (France) | Nexus (UK) | Payments systems | n/a | UK entry for sligos |
| GrandMet (UK) | Cinzano (Italy) | Drinks | n/a | Buying outstanding 75% |
| Assicurazioni Generali (Italy)/BCH (Spain) | JV | Insurance | n/a | Creating Spain's biggest insurer |
| Hollinger (Canada) | Modi'in (Israel) | Publishing | n/a | Preliminary bid |

Source: FT Mergers + Acquisitions International

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1st February, 1989

56 146 1615 23229 23238

1st February, 1990

88 1527 1965 2059 2088 6025 26142 46766

1st February, 1991

57 771 845 1010 1154 1538 1541 1640 1642 1647 1651 1657 1659 1664 1668 1673 1677 1681 1685 1690 1694 1698 1702 1707 1711 1716 1719 1722 1728 1731 1735 1739 1744 1748 1959 1963 2081 2114 3328 4837 5248 6001 6028 10808 16402 16406 16515 16518 16523 16527 26213 26218 26220 26242 28285

*6th January, 1992*

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# Tenneco chief aims to repeat the turnround trick

## Martin Dickson examines the dramatic changes under way at one of the few remaining large US conglomerates

It is tempting to describe Mr Michael Walsh, the new chief executive of troubled US conglomerate Tenneco, as "Action Man," except that Mr Walsh hates the tough guy label which Wall Street and the press have hung around his neck.

"Its so macho, so superficial," he says. "Its not a question of being tough, or not tough, its a question of being realistic."

Nevertheless, Mr Walsh, an athletic 49-year-old who confesses to playing rock music louder than his children, has unleashed a whirl of change since he arrived at the staid Houston company last autumn, including a six-point "action plan" to strengthen its highly leveraged balance sheet and improve profits.

The plan, announced just 10 days after his arrival, also owes something to Tenneco's chairman since 1978, Mr James Ketelsen. But it is to Mr Walsh, who will become chairman next May, that the group is looking for a turnround from the lacklustre performance of the past few years – including severe losses at its J.I. Case agricultural and construction equipment business.

The hope is that Mr Walsh can repeat the trick he performed between 1986 and last August as chairman of Union Pacific's railroad business, where he nearly doubled profits through a shake-up of a mature, traditional business.

**TENNECO SALES BY DIVISION (1990)**

| Division | $bn |
|---|---|
| Gas pipelines | 2.5 |
| Farm and construction equipment | 5.4 |
| Automotive parts | 1.7 |
| Shipbuilding | 2.1 |
| Packaging | 1.5 |
| Chemical and mineral | 1.3 |

He cut costs aggressively, pushed decision-making down the line, removed bureaucracy and stressed teamwork and innovation.

Tenneco, which ranks 26th on the Fortune 500 list of the largest US industrial companies, certainly needs shaking up. One of the few remaining large American conglomerates, its origins lie in the gas pipeline business which remains its largest income earner.

However, diversification in the 1950s, 1960s and 1970s, means that its interests also span automotive components, shipbuilding – submarines and aircraft carriers – packaging and chemicals, as well as agricultural equipment.

In 1988, in a move which amazed Wall Street, it sold its huge oil industry assets for $7.4bn, so that it could reduce debt, repurchase its stock, and counter rumours of a break-up bid. The company was in effect staking its future on an improved performance by Case, the number two US agricultural equipment maker behind Deere & Co, but which lost money every year between 1983 and 1988.

In 1989 and 1990 Case, which accounts for some 35 per cent of Tenneco's revenues, did indeed move strongly into the black, thanks to an upswing in the volatile tractor cycle. But the past year has been an unmitigated disaster.

This is partly due to general economic conditions – the farm market has grown soft, while the construction industry is in deep recession – but Case also allowed its inventories to get badly out of hand. And as it brings them under control, it has had to slash both prices and production.

In the first nine months of this year Case produced an operating loss of $439m and, in the third quarter, it had to take a $413m restructuring charge to cover 4,000 job cuts, plant closures and product rationalisations.

Tenneco's other businesses are reasonably well regarded, though they have not fared particularly well during the current recession, with even the gas pipeline business suffering from a spell of unusually warm weather. And by last summer, with debt accounting for some 63 per cent of total capital and on a rising trend, it was clear that strong action was needed to bolster the group's balance sheet.

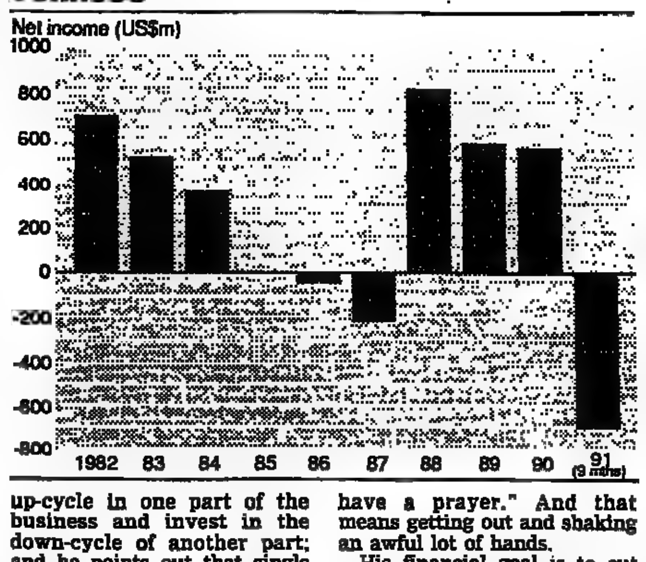
The action plan, which was essentially completed by early December, goes some way to achieving that. It includes a 50 per cent cut in the dividend, a 25 per cent ($250m) reduction in 1992 capital spending, and the sale of $1.05bn of non-core assets, including Tenneco's natural gas liquids business, which fetched $632m. It will cut costs by $250m a year, partly through a further 2,000 job losses, and the group has also raised $516m through an offering of preferred stock.

This all looks eye-catchingly dynamic, but it is only the first part of a turnround which will take much longer to achieve, as Mr Walsh is well aware. The second stage, he says, involves a much improved financial performance across the group in 1992. He has set much tougher operating targets for each of the businesses, with the aim of returning Tenneco to "respectable levels of profitability".

And he makes clear that the ability of subsidiaries to meet these targets will play a role in the third stage of his plan – which is to determine what businesses have a place in the long-term future of Tenneco. "In my mind," he says, "the ability to perform against commitment is an important part of earning strategic respect."

He appears to have no strong feelings for or against the conglomerate structure as such. He says that one advantage of a conglomerate, at least theoretically, is that you should be able to take profits during the up-cycle in one part of the business and invest in the down-cycle of another part; and he points out that single product companies are hardly problem-free.

**Tenneco**




"In my book there's one rule that matters: if it works, its good, if it doesn't work its bad." He acknowledges that it is hard for a complete outsider like him to plunge into a complex business like Tenneco and "overhaul the ship without the luxury of putting it in dry-dock".

"What you bring to it is a fresh perspective, but you need to be able to build a bridge to existing management and win their confidence or you don't have a prayer." And that means getting out and shaking an awful lot of hands.

His financial goal is to cut the ratio of debt to total capital to around 50 per cent over the next few years and improve the equity base "not just because the rating agencies insist on it, but because its the way I want to run the company".

Much will depend on his ability to turn Case around. Mr Walsh acknowledges that this is not going to be easy, or done "all in one bite". But he says that a lot of inventory has been run off in the fourth quarter and the market may be sufficiently firm for the company to raise prices and cut its discounts in 1992.

The division also has a new chief to replace Mr James Ashford, who was once seen as a potential successor to Mr Ketelsen but resigned abruptly last March, as Case's problems mounted. The new man is Mr Robert Carlson, whose past employers included United Technologies, the large Connecticut technology group, and Deere, where he worked for over 25 years and enjoyed a good reputation.

Wall Street thinks Tenneco would love to rid itself of Case, but Mr Walsh refuses to be drawn on the subject, or on persistent rumours that it may have been discussing a deal or joint venture involving a Japanese company. All he will say is that "the world's obviously getting smaller and people are looking for alliances that make sense".

Whatever is afoot at Case, dramatic change seems certain across Tenneco. Mr Walsh says that Mr Tom Peters, a leading US management expert, studied his techniques at Union Pacific and came to the conclusion that his across-the-board approach to change works better than incremental fiddling.

"If you don't do this," says Mr Walsh, "the organisation will wear you out, or wait you out, or both. And the idea these organisations are fragile – like flowers in the late spring – is just something I have found to be not true."

# Portugal to privatise 90% of oil group

By Patrick Blum in Lisbon

PETROGAL, the Portuguese oil group and the country's largest company, is to be 90 per cent privatised. An initial 51 per cent stake will be sold this year.

The government hopes to raise about Esc130bn ($967m) from the privatisation. Under terms it approved last week, the privatisation will be divided into several tranches, with an initial sale of 25 per cent. This will include a capital increase of around Esc20bn, representing 20 per cent of the company's share capital, and the direct sale of another 5 per cent stake.

This first stage of privatisation will be on the basis of competitive bids. The winner will be chosen during a special session of the stock exchange. The new shareholders will have preferential rights over the purchase of another 26 per cent stake later.

The government intends to keep a 10 per cent holding in the company because of its strategic importance in the economy. Around 20 per cent will be reserved for employees; 10 per cent for Sonangol, the Angolan oil company which is an important supplier of oil to Petrogal; and 9 per cent for the Calouste Gulbenkian Foundation, a diversified Portuguese private investment group. Foreign shareholders will be limited to a maximum 40 per cent holding.

The new shareholders must also undertake to fulfil commitments and contracts already agreed by the company, including the modernisation of its large refinery in Sines, on the southern Atlantic coast, which is expected to cost about Esc90bn.

In 1990, Petrogal had sales worth Esc419bn and profits of Esc3.5bn. However, it has suffered increasingly from uncompetitive production costs and overmanning, and is expected to return a loss in 1991.

# Merchant bank wins bid battle

FINANTIA-Sociedade de Investimentos, the Portuguese merchant banking and investment company, has finally won control of Sofinloc-Sociedade Financeira de Locacao, the country's leading leasing company, writes Patrick Blum.

After months of bids and counter bids by Finantia and Banco Comercial de Macau (BCM), the Macau-based bank controlled by Banco Portugues do Atlantico (BPA), Finantia secured 76.28 per cent of Sofinloc, paying about Esc10.5bn ($78m) for over 1.5m shares, at Esc6,933 per share.

# Weyerhaeuser plans $344m charge

By Martin Dickson in New York

WEYERHAEUSER, the forest products group based in Washington state, is planning to take year-end special charges totalling around $344m which will push it into an annual and quarterly loss.

The company, whose profits have been depressed by a cyclical downturn in the forest products industry, said factors behind the charges included the length of the economic recession, which had resulted in real estate losses.

In addition, the withdrawal of the supply of timber from public lands in its north-western heartland would mean some plants would close early and there would be contractual losses. The amount of logging allowed on public lands in the area is being curtailed because of environmental concern over a species of endangered owl.

The company is also moving to implement a new accounting standard for employees' post-retirement health benefits, which will cost $125m. However, new accounting methods for taxation will partly offset that, producing a $64m credit.

Mr John Creighton, chief executive, said: "These actions should put a number of uncertainties behind us and allow the company to begin 1992 with a clean slate."

The company said it had already cut overhead costs by between 10 per cent and 15 per cent at the corporate level since a refocusing of operations led by Mr Creighton in 1989. It sold or closed nearly two dozen businesses and consolidated operations during the reorganisation.

Weyerhaeuser's real estate subsidiary lost $6.8m in the third quarter, linked to further weakening in the southern California market and the nationwide housing recession.

**EUROMARKET TURNOVER ($m)**

| | Primary Market US $ | Primary Market Non-$ | Secondary Market US $ | Secondary Market Non-$ |
|---|---|---|---|---|
| Fixed income bonds | | | | |
| Euros straight | 0.0 | 1,494.1 | 18,120.0 | 25,011.5 |
| Other straight | 0.0 | 121.9 | 918.9 | 49,431.9 |
| Convertible | 0.0 | 2.4 | 500.9 | 860.0 |
| Money market instr | | | | |
| FRN | 45.0 | 17.0 | 8,969.5 | 2,029.2 |
| CD's | 102.8 | 17.3 | 834.7 | 882.9 |
| Short & MT Notes | 6,399.5 | 5,163.9 | 6,606.8 | 5,377.9 |
| Warrants | 0.0 | 29.2 | 489.8 | 826.4 |
| Equities | 44.2 | 0.0 | 152.7 | 920.3 |
| Total | 6,591.5 | 6,846.0 | 31,561.1 | 86,081.1 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 18,095.7 | 20,026.9 | 38,122.6 |
| Other | 36,848.6 | 56,058.5 | 92,907.1 |

Week to January 2, 1992 Source ISMA

# Shanghai advance

TURNOVER on the Shanghai securities market, the main experiment by the People's Republic of China with capitalist-style reforms, hit Yn11bn ($2.02bn) in 1991 – about three times the total for the previous five years combined, Reuter reports from Beijing.

The official Shanghai Securities Exchange accounted for about Yn8bn of the turnover, while the rest was made up by smaller bond trading agencies.

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£14,200,000 Class C-2
Mortgage backed floating rate notes October 2023
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Agent: Morgan Guaranty Trust Company
JPMorgan

City of Copenhagen
¥7,000,000,000
Floating Rate Notes
Due 1996
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Interest payable on 6th July, 1992 will amount to ¥2,657,699 per ¥100,000,000 principal amount of the Notes.
Agent Bank
The Long-Term Credit Bank of Japan, Limited
Tokyo

FLASH EIGHT LIMITED
U.S. $30,000,000
Secured Floating Rate Notes
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FT SURVEYS

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- 4 March — Annual results 1991
- 14 April — First quarter sales 1992
- 29 April — Annual Shareholders' Meeting
- 13 July — First half - year sales
- 31 August — First half - year results
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# INTERNATIONAL CAPITAL MARKETS

EUROPEAN FUTURES

## Volatile conditions boost trading levels

FINANCIAL futures trading in Europe reached record levels in 1991, as volatile market conditions encouraged more market participants to use futures and options to take positions and to hedge exposure.

European bond markets became increasingly futures-driven, as institutional investors made use of liquid stock index and bond futures and options to shift the composition of their portfolios.

New products were plentiful. Italian bond futures met an enthusiastic welcome, while the reception for pan-European stock index futures and options was positively frosty. Competition between exchanges for new products intensified, as exchanges launched competing contracts and rushed to grab new markets.

Rivalry was most intense between the London International Financial Futures Exchange (Liffe), the Matif in Paris, and the Deutsche Terminbörse in Frankfurt, part of a wider battle for pre-eminence as Europe's financial centre.

In addition, two new exchanges were established: Belfox, the Belgian futures and options exchange, started trading futures on the Belgian government bond market in December and plans to launch options on six Belgian stocks and futures and options on its Bel-20 Beglian stock index this year; Otob, the Austrian exchange, also plans to add to its initially successful options contracts on five companies.

Liffe won the battle for trading volume in 1991 by a surprisingly small margin over the Matif. Liffe traded a record 38.6bn contracts in 1991, compared with 37.1bn, also a record, for the Matif. Average daily volume rose 13 per cent on Liffe, compared with 30 per cent for the Matif.

Each won a round of the fight for dominance of two new contracts – Ecu and Italian bond futures – with London recording a decisive win with its successful Italian bond contract, while Paris gained the upper hand on the Ecu bond contract, which, although not yet heavily traded, could soon be the most important European contract.

But the fiercest contest has been for dominance of the heavily-traded Bund futures market. The DTB, backed by the German banks, put its full weight behind efforts to attract Bund futures trading from Liffe. The DTB, which traded 15.4bn contracts in 1991, was partially successful in winning business back, but not without prompting accusations of unfair tactics, such as the setting of minimum trading levels by some members, which the DTB denied.

In equity options trading, the DTB overtook the European Options Exchange as the leading European exchange in traded options. Volume in options contracts reached 11.6bn on the DTB, up from 6.7bn, compared with 10.5 for the EOE, virtually unchanged from the previous year.

Among other exchanges, Soffex, the Swiss exchange, traded 10.3bn contracts, up 14 per cent, while OM, the Swedish exchange, recorded volume of 9.2bn contracts.

Competition between European exchanges, and increasingly with their US counterparts, is likely to mount this year. In a few months, the merger of Liffe and the London Traded Options Market, will make the new exchange, the London International Financial Futures and Options Exchange (Liffoe), the third largest in the world after the two in Chicago.

The battle for dominance of various European contracts is set to continue, as the number of new contracts emerging slows. One of the few contracts expected to emerge this year is a short-term lira contract.

Meanwhile, the Italians are planning to win back futures business on Italian government bonds, when they launch their own screen based trading system, planned for June.

With Globex, the global electronic trading system created jointly by the Chicago Board of Trade, the Chicago Mercantile Exchange and Reuters, set to go on trial in January, for launch in the summer, the trend could be set for a shift away from open-outcry trading. A number of European exchanges are already considering further automation. Liffoe will have to decide whether to shift stock options trading on to a screen-based system in resuscitate the market.

**Tracy Corrigan**

INTERNATIONAL EQUITY ISSUES

## Balance sheet repairs and privatisations revive sector

IT WAS the year in which equity markets sprang back to life – and which brought a new burst of equity issues in the international market place.

The value of international share issues in 1991, at $20.3bn, was more than 50 per cent up on the previous 12 months. And with the US stock market roaring ahead, dragging others behind it, the queue of issuers waiting to raise fresh equity capital points to a record start to 1992.

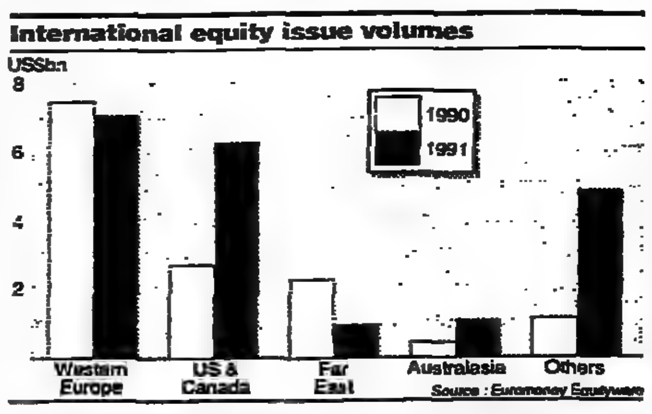
Demand for international equity investment bounced back in 1991, after a year in which institutional investors had largely turned their backs on the stock markets. There was plenty of supply on tap: companies in the US and UK, seeking to rebuild their balance sheets after the debt-laden 1980s, and global privatisation offerings from countries which had barely tapped the international markets before, led the list of new issues.

During 1990, net cross-border equity flows reached just $11bn, according to Salomon Brothers. In 1991, by contrast, the US investment bank estimates that net flows topped $50bn. US and continental European investors have led the new wave of international investment, taking over from the UK and Japanese investors, who were behind the previous boom in international investment at the end of the 1980s.

Early in 1991, demand focused largely on convertible issues, rather than straight equity. Offers from leading UK and US companies, including Hanson and American Brands, helped take the issuance of convertibles in the international market in the first six months to nearly $6bn, more than the whole of any of the previous three years.

A steady flow of new shares from US companies, at more than double 1990's $2.5bn, was the dominant factor behind the strong supply of equity last year. The continuing supply of UK shares in the international market, accounted for largely by the $2bn international tranche in the BT privatisation during the autumn, was also notable.

International equity issue volumes




However, it was the newcomers to the international market place which stole the show. Foremost among them was Mexico, which confirmed its return to favour among international investors with $3.5bn of new issues.

A $2.2bn transaction from Telmex led the way, followed later in the year by deals from Televisa and Vitro. Other unfamiliar issuers came from South Africa, Israel and New Zealand. Bankers report that issuers from other so-called emerging markets – including India, Pakistan, Brazil and Argentina – are likely to come to the international market next year. Other countries which generated substantial new issues included France and Italy. The international offerings from French companies Elf and Total, and the sale by the Italian investment group, IRI, of holdings in Stet and Credito Italiano, also pointed towards further international issues from these countries in the coming year.

This list of companies gives some idea of the sectors which commanded the interest of international equity investors: telecommunications and energy, with a considerable volume of issues for food and drinks groups as well. Each is seen by investors as a sound defensive sector in times of uncertainty. Telecommunication issues dominated, with utilities from the UK, Italy, New Zealand and Mexico all mounting substantial international offers.

Given the volume of new issues from the US, and the importance of US investors in driving international investment, it is perhaps not surprising to see US investment banks dominate the league tables of lead managers last year. However, this alone cannot account for the remarkable 32 per cent market share achieved by Goldman Sachs, which was recorded by Euromoney – nor the strong performance of Merrill Lynch, Lehman Brothers International, Salomon Brothers, and Morgan Stanley.

Rather, the investment made by these institutions in developing their international investment banking divisions in recent years has clearly begun to pay off. These five banks were responsible for no less than 60 per cent of the new international equity issues last year – up from around 30 per cent during the much quieter 1990.

Only Credit Suisse First Boston, with a market share of 11 per cent, putting it second to Goldman, could challenge this US dominance.

**Richard Waters**

INTERNATIONAL MEDIUM-TERM NOTE ISSUES

## European market rises strongly as focus shifts from US

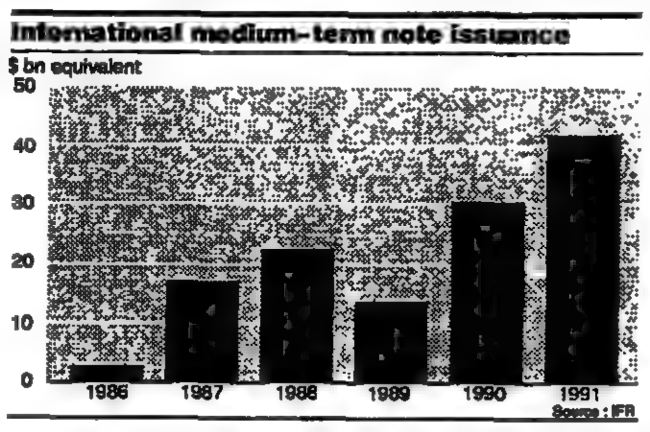
THE economic conditions which favoured the world's bond markets in 1991 also proved a turning point for the international medium-term note (MTN) market.

After years of languishing in the shadow of the US medium-term note market, the European market rose strongly in 1991, with new programmes up from $31bn in 1990 to $42bn.

Last year, the substantial shift of investors' funds out of the US into Europe created a dearth of fixed-income European assets forcing investors to look again at the MTN market, which they had shunned on the grounds of illiquidity. At the same time, the liberalisation of regulations governing MTN issuance in a number of European currencies facilitated the creation of supply in a range of currencies.

At the same time as investor interest in MTNs grew, borrowers were becoming increasingly keen to lock in longer-term funding, in an effort to extend the maturity profile of their debt, and diversify their sources of funding. Many borrowers had been reluctant to set up MTN programmes, because they were unwilling to assume the start-up costs while uncertain whether they would be able to issue a reasonable volume of paper.

International medium-term note issuance




Once significant investor interest appeared, cost savings available in the market proved enticing, particularly for borrowers with regular but smallish funding requirements which suited the markets ability to absorb small tranches of notes. The MTN market has largely usurped the position formerly held by the private placement sector of the Eurobond market, as it has proved a cheap and convenient channel for structured deals – that is, notes designed to fit the specific requirements of a given investor. In particular, a substantial portion of MTNs have been placed in Japan.

However, straightforward issuance is expected to increase due to growing supply from banks and companies. Many banks which do not have programmes are waking up to the notion that the market could provide an opportunistic means of funding. They are not prepared to pay floating-rate interest above Libor, in order to tap the FRN market, and access to the Eurobond market has become trickier.

The sterling market, which has been rather slow to evolve since its opening in 1990, was boosted by the creation of programmes by four UK building societies, led by the Halifax. But the sterling market has not had the benefit of Japanese demand, and the investor base remains narrow.

Among other key programmes last year, Abbey National raised its $1.5bn programme to $5bn, and now has around $3bn of notes outstanding globally, around half in Europe. In August, IBM International Finance launched an Ecu2bn MTN programme. Although a number of Ecu-denominated programmes have been set up, the volume of Ecu paper has been limited because of oversupply of Ecu bonds.

**Tracy Corrigan**

### NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| YEN | | | | | | | |
| Nippon Oil Fin.(a)‡† | 20bn | 1995 | 3 | (a) | 100.15 | Daiwa Europe | - |
| Nissho Iwai Int.(b)‡† | 20bn | 1995 | 3 | (b) | 100.15 | Daiwa Europe | - |
| ECUs | | | | | | | |
| Export Devt.Corp† | 300 | 1994 | 2 | 9 | 100.925 | UBS Phillips & Drew | 8.476 |
| Oester'che.K'bank† | 150 | 1994 | 2 | 9 | 100.975 | Paribas Cap.Mkts. | 8.450 |
| CANADIAN DOLLARS | | | | | | | |
| Bque.Nationale d'Paris† | 100 | 1997 | 5 | 8 | 101.175 | Wood Gundy | 7.708 |
| SWISS FRANCS | | | | | | | |
| Volkswagen Int.Fin.† | 150 | 1997 | 5 | 6¾ | 101.65 | UBS | 6.355 |
| LUXEMBOURG FRANCS | | | | | | | |
| BGL★★† | 2bn | 1994 | 2 | 9⅝ | 102 | BGL | 8.522 |
| ASLK-CGER Ilico★★† | 500 | 1994 | 2⅔ | 9⅝ | 101.96 | Banque UCL | 8.735 |

★★Private placement. §Convertible. ‡With equity warrants. ‡Floating rate notes. @Variable rate note. †Final terms. a) Coupon pays 15bp over 3-month Libor. b) Coupon pays 35bp over 3-month Libor. Callable and puttable on each coupon date on or after 2/3/93 at par. Note. Yields are calculated on ISMA basis.

This announcement appears as a matter of record only.

New issue 19th December, 1991

Can. $300,000,000

The Export-Import Bank of Japan

(Incorporated under The Export-Import Bank of Japan Law)

8½ per cent. Guaranteed Bonds Due 1997

Unconditionally and irrevocably guaranteed as to payment of principal and interest by

Japan

Issue Price 101.40 per cent.

UBS Phillips & Drew Securities Limited

Deutsche Bank Capital Markets Limited — Goldman Sachs International Limited
IBJ International Limited — Merrill Lynch International Limited
J.P. Morgan Securities Ltd. — Swiss Bank Corporation

Wood Gundy Inc.

ABN AMRO — BMO Nesbitt Thomson Ltd
Bank of Tokyo Capital Markets Group — Credit Suisse First Boston Limited
LTCB International Limited — Mitsubishi Finance International plc
Morgan Stanley International — Nomura International
Paribas Capital Markets Group — ScotiaMcLeod Inc.
S.G. Warburg Securities — Yamaichi International (Europe) Limited

All these securities having been sold, this announcement appears as a matter of record only.

New Issue December, 1991

ANA

All Nippon Airways Co., Ltd.

¥20,000,000,000

6.35 per cent. Notes due 2000

ISSUE PRICE 101.85 PER CENT.

Nikko Europe Plc

Mitsui Taiyo Kobe International Limited — Nomura International
Bank of Tokyo Capital Markets Group — Cosmo Securities (Europe) Limited
Daiwa Europe Limited — DKB International
IBJ International Limited — Kankaku (Europe) Limited
Lehman Brothers International — LTCB International Limited
Nippon Credit International Limited — Salomon Brothers International Limited
Sanyo International Limited — Sumitomo Finance International Limited

Yamaichi International (Europe) Limited

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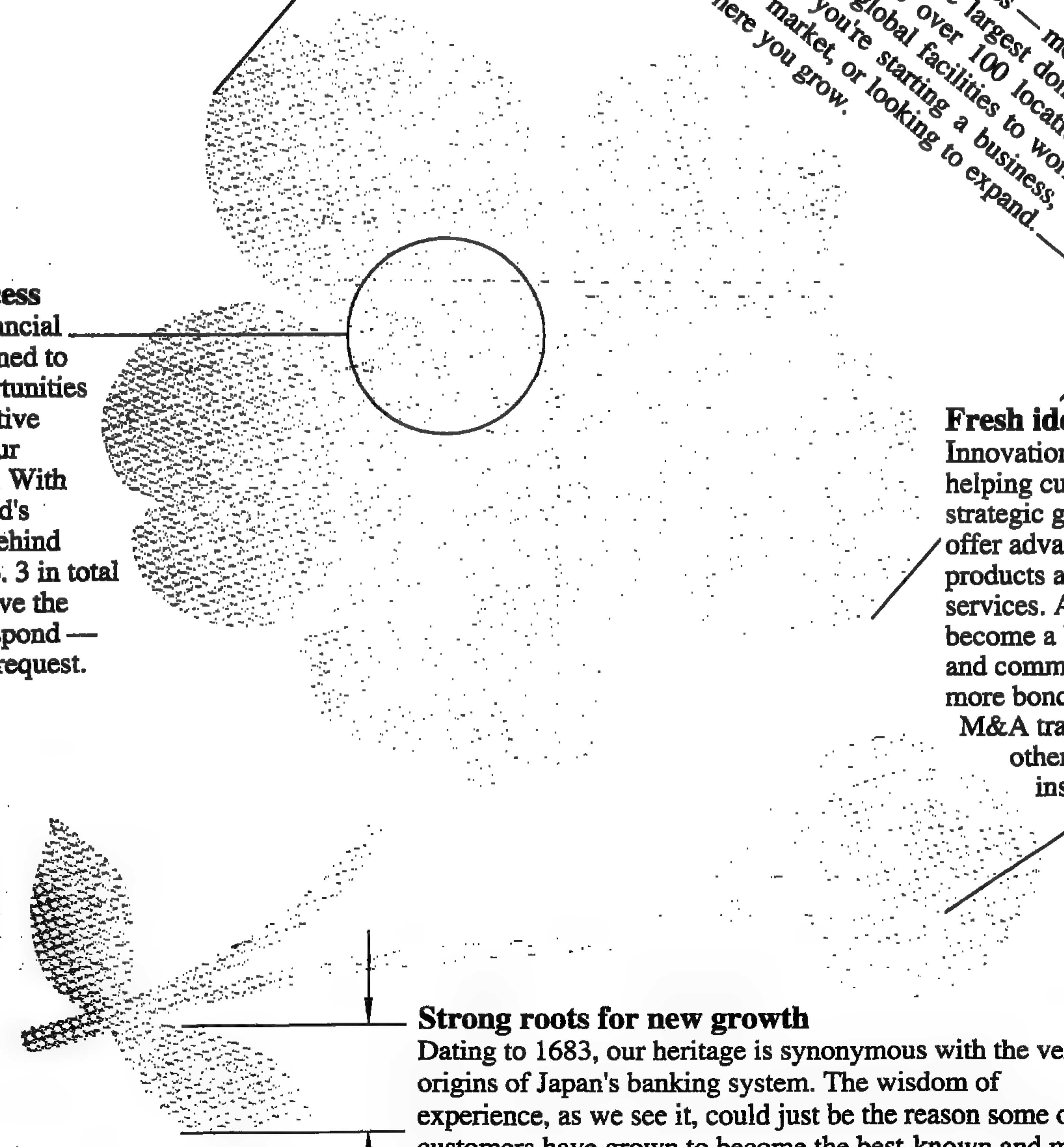
## We're Changing Our Name.....But Not Our Service.

On April 1, 1992, Mitsui Taiyo Kobe Bank sprouts a new name—Sakura Bank. One of Japan's most enduring symbols, the sakura cherry blossom represents growth and prosperity. Appropriate, then, for a global financial institution with an extraordinary history of helping customers grow and prosper.

Today we're growing faster than ever. With new products, innovative services, and a sophisticated worldwide banking network. If you're looking for a bank to grow with, blossom with us.

**Bursting forth all over**
We have offices in 31 countries — more than 600 branches in Japan (the largest domestic banking network), plus over 100 locations abroad. We put our global facilities to work for you, whether you're starting a business, entering a new market, or looking to expand. We grow where you grow.



**Seeds of success**
Our skilled financial experts are trained to spot new opportunities and take a creative approach to your business needs. With one of the world's largest banks behind them (we're No. 3 in total assets), they have the resources to respond — whatever your request.

**Fresh ideas are blooming**
Innovation, we believe, is key to helping customers achieve their strategic goals. That's why we offer advanced financial products and customer-specific services. And why we've become a leader in corporate and commercial banking, with more bond issues and successful M&A transactions than any other Japanese financial institution.

**Strong roots for new growth**
Dating to 1683, our heritage is synonymous with the very origins of Japan's banking system. The wisdom of experience, as we see it, could just be the reason some of our customers have grown to become the best-known and most successful companies in the world.

## Blossoming as Sakura Bank on April 1, 1992.

MITSUI TAIYO KOBE BANK

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# INTERNATIONAL CAPITAL MARKETS

UK GILTS

## Investors keep close eye on sterling

YIELDS on gilt-edged securities edged down as market-makers late last week bought the bonds, which were buoyed by a stronger pound and reassurances by government ministers that devaluation was not an option.

However, any signs of weakness by sterling today as traders return in force from the holiday break are likely to scare off potential gilt investors, damping a further rise in the market.

Pension funds and other large institutions were not much in evidence as buyers last week. Purchases were mainly left to market-makers, many of whom were short of stock following the poor spell for the market over the past month.

As sterling moved higher at the end of last week, the gilt market recovered. Sterling drifted up on Friday to DM2.8550, about 10 pfennigs below its central rate of DM2.95 in the exchange rate mechanism, and comfortably above its lower effective limit of about DM2.84.

Aided by the stronger pound, prices for many types of gilt rose by about 1 percentage point on Thursday, with the momentum continuing on Friday. That lifted the market for the week, with yields pushed down by roughly 10 basis points (0.1 percentage points) at the long end of the market and slightly more for shorter-dated gilts.

Those investors who were active in the market took advantage of generally low prices due to the under-performance in December of gilts against other leading European government bonds, much of this due to nervousness about sterling and the UK government's election prospects.

Little has happened in the past two weeks to shake the general belief that the UK recovery will be slow and weak. This should help the gilt market by damping inflationary pressures and keeping up long-term downward pressure on interest rates.

However, the negative point for the market is that the poor outlook for the economy will probably diminish the popularity of the Conservative government. That, in turn, may undermine sterling, making it harder for the government to make the cut in UK interest rates which many believe is necessary to revive the economy.

Disappointingly for many business people, consumers and politicians, base rates have been stuck for four months at 10.5 per cent, after coming down at half-point intervals between February and September by a total of 3.5 percentage points.

"The government is still looking for a way out of the vicious circle in the effort to get interest rates down," said Mr Robin Marshall, UK economist at Chase Manhattan, the US investment bank.

As for the gilts market, much will depend on whether the pound suffers serious selling pressure this week. If investors decide that the higher interest rates in Germany and other European countries are sufficient to tempt them to shift funds out of sterling, the government might be forced to bite the bullet and increase rates, in precisely the wrong direction from the one that would aid the economy. That, in turn, could send the Tories' opinion poll ratings plummeting, increasing selling pressure on gilts.

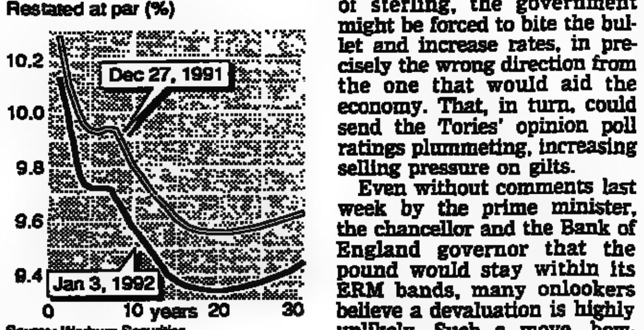
Even without comments last week by the prime minister, the chancellor and the Bank of England governor that the pound would stay within its ERM bands, many onlookers believe a devaluation is highly unlikely. Such a move, however, may be called for as an alternative to a rate rise, should the pound fall too close to its effective ERM floor.

In the gilt market last week, the overall weak tone was illustrated by the little interest being shown by investors in a tap stock issued by the Bank in mid-December of £1bn worth of 8.5 per cent Treasury bonds maturing in 2007. One estimate on Friday was that only about a third of this had been taken up by market-makers and investing institutions, with nervousness about the next few weeks for both sterling and gilts well to the fore.

**Peter Marsh**

**UK gilts yields**

Restated at par (%)




Source: Warburg Securities

INTERNATIONAL SWAPS

## Europe contributes to buoyant activity

ACTIVITY in the international swap market remained buoyant in 1991, according to a survey by the International Swap Dealers Association.

The survey of swap dealers, conducted on the ISDA's behalf by Arthur Andersen, shows the notional principal amount of interest rate and currency swaps written in the first half of 1991 totalled $923bn, a 41 per cent increase over the first half of 1990. Figures for the second half of the year are not yet available.

Interest rate swaps accounted for $762bn and currency swaps for $161bn (equivalent) of the total, representing increases of 36 per cent and 70 per cent respectively over comparable levels in 1990.

Although dollar swaps still represent the largest portion of the market, dealers reported continued growth in other areas, such as Swiss francs and French francs. Italian lira interest rate swap activity increased by 452 per cent, compared with the first half of 1990.

Activity in related products – caps, floors, collars and swap options (swaptions) – totalled just under $200bn, an increase of 44 per cent over the same period in 1990.

● The World Bank has awarded the mandate to arrange its next global bond offering to Deutsche Bank and Merrill Lynch. The deal, totalling $1.5bn, and will have a maturity of 10 years. The bond offering is expected to be launched on Wednesday, for pricing on Thursday.

Demand for dollar securities is strong, due to the lack of supply during the market's rally over Christmas. This lack of supply caused Eurobond yield spreads to tighten to historically very narrow levels, despite the price rally in the government bond market.

The World Bank's outstanding 8⅛ per cent bonds due 2001 are currently bid at 22 basis points above the comparable US Treasury, but that deal is trading at a substantial premium to par. The new global deal is expected to be priced at a spread of less than 20 basis points above the Treasury yield curve.

● Yamaichi International, the London-based arm of the Japanese securities house, plans to make a market in Ecu Eurobonds from today, as part of a programme of expansion of its bond market activities.

The latest addition to the ranks of Ecu Eurobond market-makers will bring the total number to 41 dealers. Most houses now see Ecu trading as a key strategic market, and are keen to establish a foothold.

**Tracy Corrigan**

**On January 1, the Association of International Bond Dealers, which regulates secondary market activity in international securities, officially changed its name to the International Securities Market Association, writes Tracy Corrigan.**

**The new name, chosen at the association's annual general meeting in Hong Kong last May, reflects the broadening of the group's membership in recent years.**

**Established in 1969 as a Eurobond market trade association, the organisation now represents 900 institutions, including fund managers, brokers and dealers.**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US MONEY AND CREDIT

## Contrasting views fuel bullishness

ARE THE US capital markets suffering from a bad bout of split personality?

The question is prompted by the bullish behaviour of both stock and bond markets over the past few weeks, with the equity rally apparently underpinned by an optimistic view of the US economy, but the fixed-income rally by a pessimistic one. The stock market surge which began just before Christmas took the Dow Jones Industrial Average through the 3,200 barrier on Friday for the first time – a level which is assuming a lot of good corporate news in 1992 and 1993.

A year-long upswing also continued in the bond market, where prices tend to rise on bad economic news, which implies a diminution of the inflation which undermines the value of fixed-income securities. Yet the most recent rally in Treasury prices lost a little of its momentum, yielding to a bout of profit-taking. The short and medium-term sectors suffered small price declines, with the 10-year Treasury note ending the week down ⅛.

However, the benchmark 30-year bond gained about half a point on the week, dropping the yield from 7.51 to 7.47 and helping to flatten the extremely steep yield curve. The spread between the 30 and 10-year issues narrowed from 70 basis points to 65.

The primary stimulus behind the equity and bond market rallies was the dramatic easing of monetary policy by the Federal Reserve on December 20, when the discount rate was dropped by a full point to 3.5 per cent in an effort to jump-start the economy out of its prolonged recession, with the target for the key Fed funds rate dropping to 4 per cent.

The Wall Street consensus is that while the first two quarters of 1992 could see little economic upswing, by the middle of the year the US may begin growing again at an annual rate of around 3 per cent – extremely modest by the standards of past recoveries.

The recovery will be impeded by a deteriorating international economic outlook, high levels of personal and corporate debt, and severely undermined consumer confidence.

However, while the stock market is focusing on the apparently better – although still highly uncertain – prospects for the second half of 1992 and 1993, the bond market is concentrating on the problems likely over the next six months and prospects for yet lower interest rates.

Certainly the economic indicators released over the past week have done little to dispel the economic gloom. The index of manufacturing activity produced by the National Association of Purchasing Managers dipped below 50 per cent in December for the first time since June. This suggests the sector is contracting again.

This Friday will bring employment figures for December, and these are expected to show a further deterioration.

Against this background, many analysts are expecting further Fed easing during the current quarter, with the Fed funds rate dropping to 3.75 per cent or even 3.5 before its monetary stance begins to tighten.

That in turn should feed through to much lower rates at the long end of the maturity spectrum, since two of the factors which have most unsettled the bond market recently now seem less of a threat.

One is politics, where talk of stimulative fiscal packages by Congress repeatedly unsettled Wall Street last autumn. Given that this is a presidential election year, some action is inevitable in Washington. However the market is growing increasingly confident that this will involve more showmanship than substance, with neither President Bush nor Congress willing to significantly increase the already bloated federal budget deficit.

The other benign factor is the trend of inflation, which is likely to decelerate further over the next few months, thanks to the continued economic stagnation.

And it is in their expectations for low inflation, coupled with some kind of second-half economic recovery, that the bond and equity markets find some common ground for their collective optimism.

Whether this is justified is another matter. The bond market team at brokerage Donaldson, Lufkin & Jenrette argues that the inflation rate will be no less than 4 per cent over the next few years, on the grounds that capacity utilisation is already relatively high, the unemployment rate is not that low by past standards, and the top concern of the monetary authorities is a restimulation of economic activity.

Certainly, inflation is likely to seem more of a threat as the year proceeds, and the yield on the long bond, which some expect to touch 7 per cent in the first half, could be back on a rising trend by mid-year.

**Martin Dickson**

**US MONEY MARKET RATES (%)**

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 3.75 | 4.00 | 4.37 | 11.00 | 2.00 |
| Three-month Treasury bills | 3.93 | 3.93 | 4.34 | 8.29 | 3.78 |
| Six-month Treasury bills | 4.00 | 4.01 | 4.37 | 7.70 | 3.95 |
| Three-month prime CDs | 4.12 | 4.35 | 4.75 | 7.17 | 4.12 |
| 30-day Commercial Paper | 4.20 | 5.00 | 4.90 | 7.12 | [illegible] |
| 90-day Commercial Paper | 4.10 | 4.50 | 4.70 | 5.02 | 4.10 |

**US BOND PRICES AND YIELDS (%)**

| | Last Fri | Change on wk | Yield | 1 week ago | 4 wk ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 103[illegible] | [illegible] | 6.48 | 6.44 | 6.74 |
| 20-year Treasury | 119[illegible] | [illegible] | 7.17 | 7.23 | 7.50 |
| 30-year Treasury | 106[illegible] | [illegible] | 7.47 | 7.51 | 7.80 |

Money supply: In the week ended December 23, M1 rose by $0.1bn to $898.5bn.

**FT/ISMA INTERNATIONAL BOND SERVICE**

U.S. DOLLAR STRAIGHTS — FLOATING RATE NOTES — CONVERTIBLE BONDS — SWISS FRANC STRAIGHTS — YEN STRAIGHTS — OTHER STRAIGHTS — D-MARK STRAIGHTS — ECU STRAIGHTS — CANADIAN DOLLAR STRAIGHTS — AUSTRALIAN DOLLAR STRAIGHTS — STERLING STRAIGHTS — NEW ZEALAND DOLLAR STRAIGHTS — FRENCH FRANC STRAIGHTS — EQUITY WARRANTS

[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on January 3

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# THE WEEK AHEAD

ECONOMICS

## US employment data may lead Fed to cut rates again

ATTENTION will focus this week on the extent to which the pound's position in the European exchange rate mechanism (ERM) is affected by increased activity on foreign exchange markets following the holiday break.

Analysts will also be looking for a run of employment data from the US and Germany. These will provide clues as to the degree to which both economies may be slowing down, possibly pushing the world economy as a whole nearer to recession.

Sterling has been under pressure since just before Christmas, when all the other ERM countries raised interest rates, following Germany's lead.

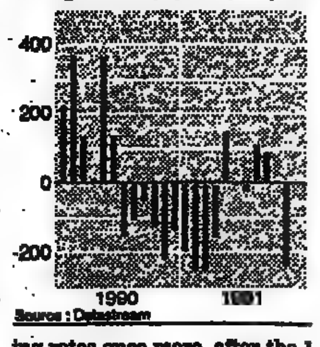
So far, the UK government has weathered the storm, as the pound has failed to slip close enough to its effective ERM floor to require either a politically damaging increase in borrowing rates, or official intervention to boost the currency.

However, all this could change later today as trading in currencies picks up following the thin volumes of the past two weeks. Coming to the UK government's support might be signs of a weakening in the D-Mark, which would take the pressure off the pound and also other ERM currencies, including the French franc and the Italian lire, which have also showed signs of fragility.

The employment data in the US in particular will be watched for any indications that the Federal Reserve might feel moved to cut US borrowing rates once more, after the 1 percentage point cut last month, in an effort to revive the flagging economy.

**US employment**

Civilian labour force changes, non agricultural payrolls ('000)




Source: Datastream

The Bundesbank council meets in Frankfurt on Thursday. But in the absence of any shows of masochism by its members, the council is thought unlikely to opt for any further increase in German rates.

Highlights of the week ahead, with forecasts in brackets from MMS International, a financial information company, include:

**Today:** US, car sales in final week of December (6.2m); UK, final figures for money supply in November; Switzerland, December consumer price index (up 0.1 per cent on month, 5.6 per cent on year); Australia, current account deficit in November (A$1.2bn, seasonally adjusted); Japan, foreign exchange reserves last month; Canada, building permits in October.

**Tomorrow:** UK, 3rd quarter 1991 savings ratio and growth in real personal disposable incomes; Canada, leading economic indicators for October.

**Wednesday:** US, November increase in consumer credit ($100m); Australia, November building permits.

**Thursday:** US, December producer price index (flat month-on-month), index excluding food and energy (up 0.2 per cent), initial claims for week ending December 28 (447,500), money supply data for week ending December 30; Germany, regular Bundesbank council meeting, unemployment (up 2,500) and vacancies for west Germany in December, employment in west Germany in November (down 5,000), unemployment in east Germany in December, not seasonally adjusted (up 30,000); UK, November housing starts.

**Friday:** US, December unemployment rate, non-farm payrolls (down 50,000), manufacturing payroll (down 32,500) hourly earnings, average workweek; Canada, December employment and jobless figures.

**During the week:** Germany, November industrial and manufacturing production (down 0.1 per cent and 0.4 per cent on month) and manufacturing orders (flat), November visible trade surplus and current account deficit (DM2.5bn and DM1bn), October producer price index for east Germany.

**Peter Marsh**

## RESULTS DUE

LONG regarded as one of the stock market's favourite "recovery plays", Dixons is likely to disappoint some followers by emitting cautious noises about the state of the electrical goods retailing market when it reports interim results on Wednesday.

Pre-tax profits may have fallen to £20m from £27m. Christmas, which falls after the end of the interim period, is also not expected to have been as buoyant as previously hoped.

The UK retailing division should have continued its profits improvement, but any advances will have been dragged down by losses at Silo, in the US, and reduced contributions from property and interest.

Securicor, the security and parcels delivery company, and its 51 per cent controlled sister, Security Services, report full-year earnings on Thursday. The figures are likely to reflect an improvement from the companies' 40 per cent stake in Cellnet, the mobile telephone network, which disappointed at the half-year.

The companies are still dominated by Cellnet earnings. While Cellnet has suffered from a higher rate of disconnection than its main competitor, Vodafone, profits are likely to have benefited from a recession-induced cut in capital spending.

Securicor is estimated to have made pre-tax profits of £33m (£51.9m).

The pre-tax figure for Security Services, which is consolidated, is expected to be £21m (£36.1m).

## UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Jessups, The Institute of Chartered Accountants, Chartered Accountants Hall, Moorgate Place, E.C., 12.00
BOARD MEETINGS:
Finals:
Barr (A.G.)
Soundtracs
Interims:
Carclo Engineering
Platignum

■ TOMORROW
COMPANY MEETINGS:
Bibby (J.) & Sons, Founders Court, Lothbury, E.C., 12.00
Carr's Milling Inds., Forte Crest Hotel, Kingstown, Carlisle, 11.30
Diploma, The Great Eastern Hotel, Liverpool Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Aberdeen Tst.
Eurocopy
Interims:
Hollas
Property Security Inv.

WEDNESDAY JANUARY 8
COMPANY MEETINGS:
Davies (D. Y.), 25 Fouberts Place, W., 11.00
Fenner, Royal York Hotel, Station Road, York, 12.30
BOARD MEETINGS:
Finals:
Alexanders Hldgs.
M & G Dual Tst.
Interims:
Banks (Sidney C.)
Bespak
Dixons
Goode Durrant
Hadleigh Inds.
Savills
Vardy (Reg.)
Williamson Tea

THURSDAY JANUARY 9
COMPANY MEETINGS:
Kwik Save, Mollington Banastre Hotel, Parkgate Road, Chester, Cheshire, 12.00
Pegasus, 7 Birchin Lane, E.C., 2.30
Young (H.) Hldgs., 25-28 Old Burlington Street, W., 12.00
BOARD MEETINGS:
Finals:
Dewhurst
Securicor
Security Services
Treatt
Interims:
Druck Hldgs.
Jones Stroud
Symonds Engineering

■ FRIDAY JANUARY 10
COMPANY MEETINGS:
ABI Leisure, The Butchers Hall, Bartholomew Close, E.C., 12.00
Heritage, Unit 3, Marshgate Lane, Stratford, E., 9.00
National Home Loans, Stationers' Hall, Ave Maria Lane, Ludgate Hill, 12.00
Save & Prosper Linked Inv. Tst., 1 Finsbury Avenue, E.C., 3.00
BOARD MEETINGS:
Interims:
British Bloodstock
First Spanish Inv. Tst.
Pepe
*Company meetings are AGMs unless otherwise stated.*

## DIVIDEND & INTEREST PAYMENTS

■ TODAY
Amersham Intl. 3.7p
Blue Circle Industries 6¼% Un. Ln. 3.125pc.
Bradford Property Tst. 2p
Colman (E. Alec.) Invs. 8% Un. Ln. 1991/96 4pc.
Computer People 2.1p
Cook (Wm.) 5p
Courtaulds 5% 1st Prf. 1.75p
Do. 5½% Un. Ln. 1994/96 2.75pc.
European Colour 0.25p
Guardian Royal Exchange 4.4p
Jessups 3p
Lilley 1p
Linread 7¾% Db. 1989/93 3.875pc.
London & Prov. Shop Centres 10% 1st Mtg. Db. 2026 5p
Mansfield Brewery 4p
Metropolitan Water Staines Res. Joint Comm. 3% Gtd. Db. 3p
Morgan Crucible 5.75p
Do. (Net) Cv. Rd. Prf. 3.75p
Do. 9½% Db. 1995/2000 4.75pc.
Murray Smaller Markets Tst. 1.25p
New Frontiers Dev. Tst. 1p
River & Mercantile Tst 1.6p
Rolls-Royce 2.55p
Scottish American Inv. 1.04p
Scottish National Tst. 3.05p
Smith (W.H.) 5¼% Rd. Un. Ln. 2.625pc.
Do. 7¾% Rd. Un. Ln. 3.875pc.
Do. 8% Rd. Db. 1987/92 4pc.
Staveley Industries 2.3p
Tarmac 7½% Db. 1987/92 3.75pc.
Value & Income Tst. 1.62p
Warner Howard 1.925p
Whitbread 10½% Un. Ln. 2000/05 5.25pc.
Do. 7¾% Un. Ln. 1996/2000 3.375pc.

■ TOMORROW
Anglian Water 12% Bds. 2014 6pc.
Asahi Breweries 7% Bds. 1999 Y184.722
Browning-Ferris Industries 17cts.
Centex Corp. 10cts.
Christiania Bank Kreditkasse 7½% Nts. 1992 3.75pc.
Commonwealth Bk. of Australia 12¾% Nts. 1998 6.375pc.
Cradley Hldgs. 1p
Diploma 6.5p
Havelock Europa 1.5p
Kobe Steel 6.9% Bds. 2000 Y195
Do. 6.9% Bds. 1998 Y195.5
Kubota Corp. 6.9% Bds. 2000 Y172.5
M & G Fund of Invest. Tst. Inc. Units 4.15p
Majedie Investments 6.5p
McLeod Russel 3.1p
Queens Moat Houses 7% Cv. Rd. Prf. 3.5p
Rand Mines 200cts.
Reckitt & Colman 5.55p
Sapporo Breweries 7% Nts. 1997 Y175
Sony Corp. 6.875% Bds. 2000 Y171.875

■ WEDNESDAY JANUARY 8
Adam & Harvey 5p
Henderson Administration 12.5p
Hicking Pentecost 1.2p
Inter-American Development Bank 12½% Ln. 2003 6.25pc.
Metro Radio 3.5p
Metropolitan Estate & Prop. Fig. Rate Gtd. Nts. 1995 Y398.111
Onoda Cement Co. 7% Bds. 1999 3.5pc.
Security Pacific Corp. Sub. Fig. Rate Nts. 1992 $146.94
Smiths Industries 6.8p
Tollgate 14% Un. Sub. Comp. Cv. "B" Debs. 14pc.
Do. "A" Debs. 14pc.
Unigate 5.7p

■ THURSDAY JANUARY 9
Bailey (Ben) Construction 0.5p
Bibby (J.) & Sons 6.9p
Bradford & Bingley Building Society Fig. Rate Nts. 1998 £265.51
Friendly Hotels 2.2p
Gt Asia (Sterling) Fund Ptg. Rd. Prf. 28.85p
Great Portland Estates 3.4p
Highland Distilleries 4.14p
Japan Airlines 6.9% Bds. 2002 3.45pc.
Do. 6.9% Bds. 2001 3.45pc.
Shaw (Arthur) & Co. 1.2p
Standard Chartered Prim. Cap. Fig. Rate Nts. (Ser 4) $339.89
Tams (John) 1.59p
Union Bk. of Finland Variable Rate Sub. Nts. 2000 $151.74
Wardle Storeys 12p

■ FRIDAY JANUARY 10
Apollo Metals 8p (Net) Cv. Rd. Prf. 4p
Bradford & Bingley Building Society Fig. Rate Nts. 1997 £264.64
Britannia Building Society Fig. Rate Nts. 1993 £255.51
British Airways 2.94p
Castings 1.3p
City Merchants High Yield Tst. 2p
Dunhill 2.75p
Export-Import Bank of Japan 8½% Gtd Bds. 1998 4.25pc.
Guinness Finance 12% Gtd Nts. 1996 6pc.
Hartstone 1.875p
Leigh Interests 2.48p
MBL Finance (Curaco) 8⅞% Gtd Bds. 4.4375pc.
Morris (Philip) Companies 52.5cts.
NKK Corp. 7% Nts. 1997 Y178.889
Nationwide Anglia Building Soc. Fig. Rate Nts. 1995 £131.97
Parkland Textile 1p
Do. "A" NV 1p
Powerscreen Intl. 1.7p
Quadrant 1.65p
Reed Intl. 5.25p
Schlumberger 30cts.
Scottish Value Tst. 0.625p
Spandex 1.9p
TR Property Inv. Tst. 0.6p
Vibroplant 1.22p

■ SUNDAY JANUARY 12
Conversion 9½% Ln. 2001 4.75pc.
Do. 9% Ln. 2011 4.5pc.
Do. 9% Ln. 2011 "A" 4.5pc.

# APPOINTMENTS

## Cowan moves to Jardine Matheson

The Price Waterhouse partner who led the firm's audit of Bank of Credit and Commerce International, Christopher Cowan, is to leave the firm for JARDINE MATHESON, the Hong Kong-based trading group.

The timing of the move could be difficult for Price Waterhouse, which is in the midst of one of the toughest battles in its history to defend its audit of the failed bank. He leaves to become finance director of Jardine in May – barely giving him time to defend Price Waterhouse before the UK official enquiry into BCCI, which is not expected to be completed before the middle of the year. The firm insisted yesterday that Cowan had not been asked to leave, and that he would be sorely missed.

A 45-year-old audit partner in the firm's London financial institutions group, Cowan had been working virtually full-time on BCCI in the two years before it was closed in July.

The move to Jardine to take over from Peter Collins, who retires after 18 years with the group, is said to have been under discussion for some time before BCCI's problems exploded into public view last July. Cowan had first acted for Jardine while a PW partner on secondment in Hong Kong between 1982 and 1985.

## No answers at Lloyds

Spotting a successor to Sir Jeremy Morse, Britain's longest serving clearing bank chairman, has been made no easier following the latest reshuffle in the Lloyds Bank boardroom. Eric Swainson, a director since 1986 and a regional board member from 1979, will become a vice-chairman following the annual general meeting in April. The 65-year-old Swainson, a former managing director of IMI, is a well-known Midlands businessman, but he is just one of several vice and deputy chairmen and two years older than Sir Jeremy who is expected to stand down within the next couple of years.

Meanwhile, Sir John Hedley Greenborough is retiring as a deputy chairman and Sir William Harding as adviser on international affairs. Both men will remain on the board but Geoffrey Kent, a former chief executive of Imperial group, is stepping down as a director on reaching the age of 70.

## Property moves

■ Richard Mooney has retired as chairman of TAYLOR WOODROW HOMES; his place is taken by Roger Postlethwaite, deputy chairman and md. The new md is Paul Phipps, and the new deputy chairman is John Saunders, formerly joint deputy md.
John Hislam has become md and Graham Ellis deputy md of Terresearch, part of Taylor Woodrow.

■ Bill Anderson, who has worked for Barratt, Beazer and Wimpey, is appointed md of TAY HOMES (Scotland) in place of George Glover who has retired.

■ Roy Dantzic, currently corporate development director, is appointed finance director of STANHOPE.

■ William Hill is appointed md of SCHRODER Properties.

■ Jonathan Walters is promoted to group chief executive of HUNTING GATE.

■ John Stanton is appointed chief executive of LINFORD Building, Linford Interiors, and Linford-Bridgeman; Derek Anderson becomes a director of Linford Building.

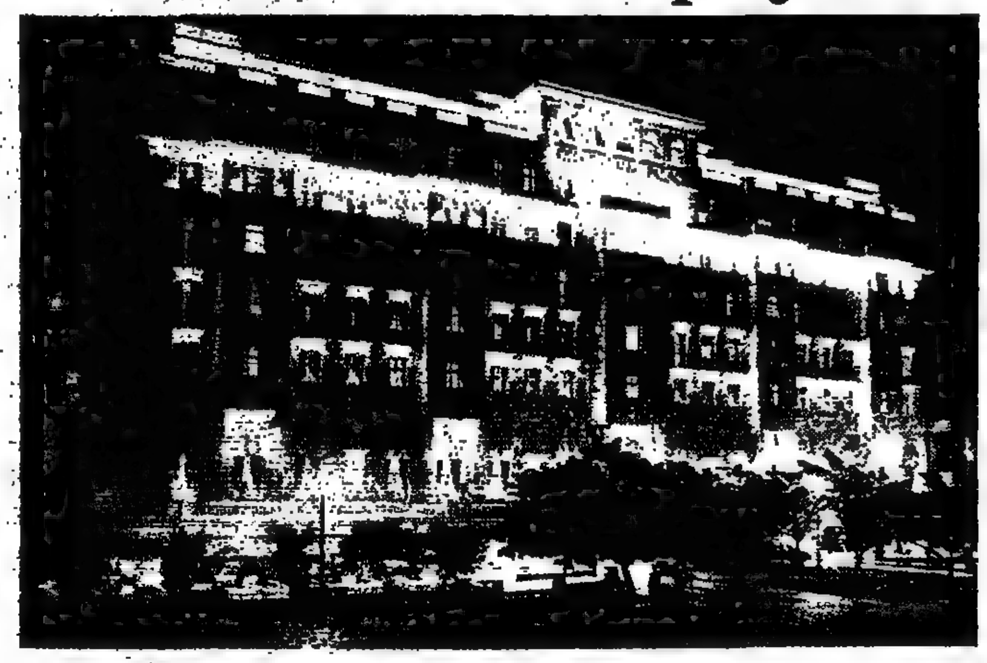
■ Michael Walker, divisional md of BOVIS commercial and engineering services, is also the new md of Bovis Engineering; he takes over from Ron Mead who has retired. Leif Selkregg and Mike Temple have been appointed directors of BOVIS Construction.

■ Christopher Clarke has become a director of MEPC Investments; Gavin Davidson has become director and general manager of Lansdown Estates, an MEPC subsidiary.

■ Andrew Evans is moving from Davey to become group financial director designate of Beech Construction.

# CONSTRUCTION CONTRACTS

## Rio de Janeiro hotel project



Another continent – South America – has been added to BOVIS INTERNATIONAL'S site list with the company's new project management contract to renovate the listed Copacabana Palace Hotel (*pictured*) in Rio de Janeiro for Companhia Hoteis Palace, a subsidiary of Sea Containers.

A team from Bovis International has already spent two months in Rio carrying out a technical audit on the existing buildings and preparing various different options for the planned US$25m (£13.6m) renovation.

The renovation programme will increase the number of rooms in the main building by 15 and the Towers by 12, together with the complete refurbishment of all front and back-of-house facilities, and the addition of a health club and roof-top tennis courts.

## £11.6m workload for the Ward Group

The WARD GROUP has been awarded contracts worth around £11.6m.

Heading the list is a £5.8m order from Olympia & York for 7,900 tonnes of steel and floor decking at B3, B4 and B5 at Canary Wharf.

At the Metro Centre, Gateshead, the company is providing a complete building package, worth £1.3m, including steel work, roof and wall cladding, curtain walling, floor decking, roof ventilators, signage and doors for an IKEA retail furnishing store.

In Coventry a £1.7m contract comprises structural steelwork for a fully automated warehouse and office for Toys 'R' Us, while provision of steelwork, roof and wall cladding worth £1.8m is being undertaken for an office, warehouse and distribution centre owned by Addidas in Stockport.

Other projects include structural steelwork worth £800,000 for the Seasalter Viaduct, Kent, and structural steelwork worth £200,000 for the Prebend Street Bridge, Bedfordshire.

## Tesco superstore scheme in Dudley

A £9.1m superstore and petrol filling station for Tesco is being built and fitted out by TARMAC CONSTRUCTION.

The store and petrol station at Dudley in the west Midlands is being built for Tarmac Properties, and fitted out for Tesco. Work on the project is expected to be completed in July.

Tarmac Properties is negotiating for a DIY store and fast food outlet on the site, situated at the busy junction of the main roads to Birmingham, Wolverhampton and Dudley.

The store is among contracts worth a total of £18m awarded to Tarmac Construction.

Other projects are alterations and refurbishment to a four-storey block of offices at Preston for Lancashire Enterprises at a cost of £970,000; the construction of 40 flatlets and six flats at Rotherham for Anchor Housing Association for £850,000.

Two hospital schemes are also included, a revised contract increased to £1m for further improvements and extensions to provide wards and offices at New Cross Hospital, Wolverhampton, and refurbishment of wards at Birmingham Children's Hospital for £380,000.

The contract housing division is to demolish three houses and build 32 flats on the site at Sunnyside, Liverpool, for Liver Housing Association at a cost of £950,000; convert 44 flats at Manchester for Broughton Park Jewish Housing Association (£620,000); repair 45 houses at Oldbury for Sandwell Council (£640,000); and modernise 20 houses for Bradford Metropolitan Council (£550,000).

ENGINEERING
& CONSTRUCTION
MINING
HOUSING
PROPERTY
COSTAIN
COSTAIN GROUP PLC


# TRADE FAIRS, EXHIBITIONS & CONFERENCES

**JANUARY 10**
**Researching the Food Industry**
An overview of major issues in researching the Food industry: sources of data, European trends, food retail analysis.
Cost: £85, £95 with lunch.
Contact Name: Yasmin Ganes
071 262 5050 ext 229.
Location: London Business School, London NW1.
LONDON

**JANUARY 13**
**AFRICA 2000: THE ROAD TO RECOVERY**
A major international conference on Africa's economic and business prospects held by the African Development Bank, Oxford International Institute and Standard Chartered Bank.
Speakers include: Babacar Ndiaye, William Ryrie, Chief Shonekan, M K Nabli and Tim Sainsbury.
Contact: Miss Lindsey Neil
Tel: 0225 466744 Fax: 0225 442903
LONDON

**JANUARY 13&14**
**SOFTWORLD IN ACCOUNTING AND FINANCE**
Exhibition and Seminars from the Top 40 suppliers of Software for Accounting and Finance Departments from full scale accounting systems to specialist finance software. Delegates will be able to attend 40 minute presentations on each product free of charge.
Contact: Interactive Exhibitions
081-541 4865
LONDON

**JANUARY 20**
**Crisis and Change in the Foreign Exchange Market**
International Conference, hosted by Telerate, on changes confronting forex. Speakers: John Maples, Eddie George, Tom Lockett, Wolfgang Rieke and Denis Healey. Venue: Queen Elizabeth II Conference Centre, Westminster.
Contact: Jaye Ruby, 071 583 0044.
Fax: 071 583 1837.
LONDON

**JANUARY 21**
**COUNTRY BY COUNTRY SEMINAR: GERMANY/AUSTRIA**
First of a monthly series looking at sources of commercial, company, statistical and market information by professionals. Venue Barbican Centre, London.
Contact Jenny Perry, TFPL on 071-251-5522.
Fax: 071-490-4984.
LONDON

**JANUARY 22-24**
**MANAGEMENT SKILLS FOR WOMEN IN BUSINESS**
This seminar will provide the newly appointed woman manager with the pragmatic knowledge and practical tools necessary to maximise performance as a professional manager. Speakers: DeAnne Rosenberg. Contact Louise Knight: Frost & Sullivan Ltd.,
Tel: 071-730 3438 Fax: 071 730 3343.
Quote ref: 775FT.
LONDON

**JANUARY 23-24**
**NEGOTIATING WITH THE SPANIARDS**
An intensive two day seminar designed for the busy manager negotiating (or planning to negotiate) long-term agreements with Spanish business partners. Speaker: Vincent Guy.
Contact Louise Knight, Frost & Sullivan Ltd. Tel: 071 730 3438
Fax: 071 730 3343. Quote ref 1098FT.
LONDON

**JANUARY 27-29**
**A MANAGER'S GUIDE TO ASSERTIVENESS TRAINING**
Discover how to manage conflict and turn a potentially negative situation into a positive force and how to master an approach for gaining total commitment from colleagues at all levels. Speaker: DeAnne Rosenberg. Contact: Louise Knight, Frost & Sullivan Ltd., Tel: 071 730 3438 Fax: 071 730 3343.
Quote ref 945FT.
LONDON

**JANUARY 28**
**PEOPLE PERFORMANCE AND PROFIT**
A lunchtime seminar on the training and human resource development challenges facing financial services organisations in the 1990s.
Themes: Preparing people for change; clarifying training needs; upgrading the training function; use of competence-based approaches.
Contact: The Industrial Training Service Ltd
Tel: 071 637 8876 Fax: 071 436 6412
LONDON

**JANUARY 29**
**FAST PACKET SWITCHING AND FRAME RELAY**
Conference highlights: overview of emerging technologies and services; early user experiences; introduction to Switched Multi-Megabit Data Services and its potential for the interconnection of FDDI networks.
Contact: Alison Walters, IBC Technical Services. Tel: 071 637 4383.
LONDON

**JANUARY 29**
**Nailing the Jelly to the Wall**
A three part LSE seminar on business and IT strategies. 2-6pm at the LSE. (Also Feb 19 & March 11). Contact Nicola Meakin. Tel: 071-955 7227 or Fax: 071-9557676
LONDON

**JANUARY 29**
**REFORMING THE PRIVATE BILL PROCEDURE**
Covering legal & political implications of the Transport & Works Bill for Local Authorities, Railways, Ports, Financial institutions who promote Private legislation. In association with REES & FRERES.
Contact: Ian Dale, The Waterfront Partnership on 071 730 0430.
LONDON

**JANUARY 29**
**Total Quality Management for Information Systems**
A one-day awareness seminar for Directors and Senior Executives, designed to give a clear grasp of TQM, its benefits and how to relate it to the business critical areas of information Systems and Services.
Contact: Alan Whitfield, RSM Consulting
Tel: 071-278 1586
Fax: 071-837 0694
LONDON

**FEBRUARY 4**
**MAJOR SEMINAR ON NEW EC DIRECTIVE:**
Health & Safety of Computer Users. Training Centre, Lloyd's of London. How will the legislation affect you? Penalties of non-compliance: £20,000 if ignored; £120,000+ for injuries. Contact: Christine Nash, CEL. Tel: 081-308 2923
LONDON

**FEBRUARY 11-12**
**1992 PAN EUROPEAN DIGITAL CELLULAR RADIO CONFERENCE**
**GSM Markets & Technology - The Transition from Theory to Practice.**
Issues include interconnection of networks, roaming and billing, security, frequency management, marketing, prospects outside Western Europe. Contact: Lisa Minoprio, IBC Technical Services Tel: 071 637 4383
LONDON

**FEBRUARY 17**
**London Motor Conference**
The impact of the recession, relationships between Japanese car manufacturers and European components suppliers, trends in distribution and retailing will be discussed.
Enquiries: Financial Times
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

**FEBRUARY 17 & 18**
**Cable Television & Satellite Broadcasting**
To review the international world of broadcasting and the media, the fallout from the competitive tenders for ITV franchises, and telephony's contribution to cable.
Enquiries: Financial Times
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

**FEBRUARY 19**
**Television of Tomorrow**
To assess television systems of the future including all-digital HDTV.
Enquiries: Financial Times conference Organisation.
Tel: 071-925 2323
Fax: 071-925 2125
LONDON

**FEBRUARY 19**
**EXECUTIVE INFORMATION SYSTEMS - THE WIDER USE OF EIS**
This conference follows a practical approach to second generation EIS: the difference in their implementation and impact on organisations from the older systems, and their potential benefits.
Contact: Juliet Coe, IBC Technical Services. tel: 071 637 4383
LONDON

**FEBRUARY 26**
**SUCCESSFUL STRATEGIES FOR DECISION MAKERS**
A one day investment in your Company's future.
This seminar covers: setting goals and identifying obstacles, taking stock of your business and its marketplace, developing a vision for success, considering major options, etc.
Contact: FIBEX. Tel: 071-489 9944
Fax: 071 236 6140
LONDON

**FEBRUARY 26-MAY 27**
**Contemporary Britain 1992**
Twelve weekly evening seminars at London School of Economics for diplomats, managers and representatives of foreign manufacturing enterprises, banks and newspapers who wish to improve their understanding of Britain.
Contact: Nicola Meakin
Tel: 071 955 7227 Fax: 071 955 7676
LONDON

**FEBRUARY 27-28 MAY**
**Contemporary Europe**
Twelve weekly evening seminars at London School of Economics for diplomats, civil servants, business executives, journalists and others who wish to improve their understanding of current developments in the EC.
Contact: Nicola Meakin, Tel: 071 955 7227. Fax: 071-955 7676
LONDON

**MARCH 5**
**DOING BUSINESS IN HUNGARY**
A practical guide to the most Westernised Eastern European Country. Sponsored by Coopers & Lybrand Europe. Subjects covered include: investment opportunities, legal and taxation consequences, labour environment, acquisitions, accounting issues and case study
Contact: FIBEX. Tel: 071-489 9944
Fax: 071-236 6140
LONDON

**MARCH 24**
**DOING BUSINESS IN CZECHOSLOVAKIA**
A corporate step by step guide through one of the major opportunity areas. Sponsored by Coopers & Lybrand Europe. Subjects covered include: Investment opportunities, legal & taxation issues, labour environment, acquisitions, accounting issues and a case study. Contact: FIBEX. Tel: 071-489 9944. Fax: 071-236 6140.
LONDON

**APRIL 1**
**THE FUTURE OF THE BRANCH - STEERING A COURSE THROUGH CHANGE**
The Brewery, London. The Financial Revolution in Europe suggests that branch networks will be the key to the distribution of all financial services. This workshop focuses on how the branch can be made more productive as a delivery channel.
Contact: Elaine Robertson, Meeting Makers Tel: 041 553 1930
Fax: 041 552 0511
LONDON

**APRIL 1-2**
**CHEMSPEC EUROPE 92- Highlighting Developments and Future trends in Speciality, Performance and Fine Chemicals - Organic Intermediates - Contract & Toll Manufacture.**
G-MEX, Manchester
Contact: Valerie Shilling, FMJ International Publications Ltd.
Tel: (0737) 768611 Fax: (0737) 761685
MANCHESTER

## INTERNATIONAL

**MARCH 4-6**
**European Business Information Conference**
Sessions focussing on company and financial information, industry intelligence, credit reference, competitor analysis - all aspects of information for and about business in Europe.
Workshops, case studies, and major exhibition.
Contact Jenny Perry, TFPL Ltd.
Tel: 071 251 5522. Fax: 071 251 8318.
BRUSSELS

**MARCH 24-26**
**International Gaming Business Exhibition (IGBE) Europe '92**
**Espace Fontvieille**
**Monaco**
IGBE '92, the first major European Exhibition exclusively for the casino gaming industry, will showcase all major products and services of importance to the casino. Special events will also be held.
Contact: Eileen E. Baird
Phone (USA) 203- 852 0500 ext 107
Fax: (USA) 203 838 3710
MONACO

## EXHIBITIONS

**JANUARY 14-17**
**AEROTECH '92**
Organised jointly by IMechE & Centre Exhibitions in collaboration with RAS and with the support of SBAC and IEE.
EUROPES LEADING BIENNIAL EXHIBITION AND CONGRESS
Tel: 021 780 4141 Fax: 021 780 2518
Contact: Roger West: Ext 2683
BIRMINGHAM

**JANUARY 28**
**Hybrid Technologies - The Best of British**
Major conference on electronics business, technology and marketing. Leaders from the UK Electronics Industry speak on innovation and competition in international markets. Alongside MicroTech '92 exhibition. Heathrow Penta Hotel, £65 includes buffet lunch.
Contact 0344 421 273.
LONDON

TO ADVERTISE IN THIS SECTION PLEASE CALL DOMINIC MORGAN ON 071 407 5752

# WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

## CANADA

TORONTO

4:00 pm prices January 3

[illegible]

| | Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|---|
| | 7500 | Cantor | $25 | 24½ | 25 | +⅛ |
| | 300 | CdnForest | $24½ | 24½ | 24½ | |
| | 28000 | Cara Op | $5⅞ | 5⅞ | 5⅞ | +⅛ |
| | 3000 | Cascades | $5⅞ | 5⅞ | 5⅞ | −⅛ |
| | 100 | Celanese | $41 | 41 | 41 | |
| | 17700 | Cent Cap | 46 | 45 | 46 | +1 |
| | 8700 | Cinepx Odn | 340 | 330 | 340 | +10 |
| | 5300 | Cntrl Fd A | 455 | d435 | 435 | |
| | 40600 | Cominco | $21¾ | 21⅛ | 21¾ | +⅛ |
| | 3000 | Coputalog | 60 | 60 | 60 | −3 |
| | 38700 | Labatt | $25⅛ | 25½ | 25⅛ | +⅛ |
| | 200800 | Lac Minls | $9⅛ | 9⅝ | 9⅛ | |
| | 1500 | Lafarge | $14½ | 14⅞ | 14⅞ | +⅛ |
| | 41900 | Laidlaw A | $10⅛ | 10⅛ | 10⅞ | +⅛ |
| | 430500 | Laidlaw B | $10⅞ | 10 | 10⅞ | +⅛ |
| | 23300 | Laurnt Bk x | $19⅛ | 19½ | 19⅛ | |
| | 700 | Laurent Gp | $6½ | 6⅛ | 6 | |

MONTREAL

4:00 pm prices January 3

[illegible]

Total Sales 6,879,100 shares

## INDICES

NEW YORK

| DOW JONES | Jan 3 | Jan 2 | Dec 31 | Dec 30 | 1991/92 HIGH | 1991/92 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ¶Industrials | 3201.48 | 3172.41 | 3168.83 | 3163.91 | 3201.48 (3/1/92) | 2470.30 (9/1/91) | 3201.48 (3/1/92) | 41.22 (2/7/32) |
| Home Bonds | 99.13 | 98.96 | 98.93 | 98.79 | 99.13 (3/1/92) | 91.30 (16/1/91) | 99.13 (3/1/92) | 54.99 (1/10/81) |
| Transport | 1350.71 | 1342.12 | 1358.00 | 1344.92 | 1358.00 (31/12/91) | 894.30 (7/1/91) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 225.59 | 224.46 | 226.15 | 223.71 | 225.59 (3/1/92) | 195.17 (10/7/91) | 236.23 (2/1/90) | 10.50 (8/4/32) |

¶Day's High 3221.36 (3184.78) Low 3156.31 (3119.86)

| STANDARD AND POOR'S | Jan 3 | Jan 2 | Dec 31 | Dec 30 | 1991/92 HIGH | 1991/92 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 419.34 | 417.26 | 417.09 | 415.14 | 419.34 (3/1/92) | 311.49 (9/1/91) | 419.34 (3/1/92) | 4.40 (1/6/32) |
| Industrials | 495.78 | 493.26 | 492.72 | 490.43 | 495.78 (3/1/92) | 364.90 (9/1/91) | 495.78 (3/1/92) | 3.62 (21/6/32) |
| Financial | 34.34 | 34.04 | 34.10 | 34.27 | 34.27 (30/12/91) | 21.96 (9/1/91) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 230.35 | 229.17 | 229.44 | 228.22 | 230.35 (3/1/92) | 170.97 (9/1/91) | 230.35 (3/1/92) | 4.46 (25/4/42) |
| Amex Mkt. Value | 398.83 | 395.51 | 395.05 | 390.15 | 398.83 (3/1/92) | 296.72 (14/1/91) | 398.83 (3/1/92) | 29.31 (9/12/72) |
| NASDAQ Composite | 592.65 | 586.45 | 586.34 | 579.75 | 592.65 (3/1/92) | 355.75 (14/1/91) | 592.65 (3/1/92) | 54.87 (31/10/72) |

| | Dec 27 | Dec 20 | Dec 13 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.99 | 3.13 | 3.14 | 3.92 |

| | Dec 31 | Dec 24 | Dec 18 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.55 | 2.68 | 2.78 | 3.31 |
| S & P Ind. P/E ratio | 25.35 | 24.21 | 23.24 | 13.92 |

NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Gen Motors | 4,044,400 | 32⅛ | + 1⅛ |
| Foothill | 3,951,800 | 5⅛ | + ⅛ |
| Wal-Mart | 3,780,500 | 57⅛ | - 1⅛ |
| Waste Man | 2,793,400 | 46⅛ | + 2⅛ |
| Ford Motor | 2,478,200 | 30⅛ | + 1⅛ |
| Chrysler | 2,387,500 | 13⅛ | + ⅞ |
| Philip Morris | 2,280,800 | 79⅛ | - ⅛ |
| RJR Nabisco | 2,115,000 | 10⅞ | + ⅜ |
| Pepsico | 2,098,300 | 34⅛ | + ⅛ |
| Glaxo | 2,028,200 | 32⅛ | + ⅛ |

TRADING ACTIVITY

| † Volume (Millions) | Jan 3 | Jan 2 | Dec 31 |
|---|---|---|---|
| New York SE | 219.170 | 203.600 | 247.670 |
| Amex | 19.671 | 18.024 | 31.354 |
| NASDAQ | (c) | 202.391 | (c) |
| NYSE | | | |
| Issues Traded | 2,191 | 2,192 | 2,236 |
| Rises | 1,084 | 849 | 1,247 |
| Falls | 651 | 929 | 602 |
| Unchanged | 456 | 414 | 387 |
| New Highs | 181 | 118 | 333 |
| New Lows | 6 | 3 | 12 |

CANADA

| TORONTO | Jan 3 | Jan 2 | Dec 31 | Dec 30 | 1991/92 HIGH | 1991/92 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2982.27 | 2935.22 | 2954.99 | 2972.08 | 3299.99 (18/7/91) | 2632.06 (9/1/91) |
| Composite | 3517.47 | 3493.66 | 3512.36 | 3505.90 | 3604.09 (12/11/91) | 3161.95 (15/1/91) |
| MONTREAL Portfolio | 1866.44 | 1856.55 | 1860.43 | 1861.59 | 1907.35 (12/11/91) | 1686.89 (9/1/91) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. ‡ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

[illegible]

* Saturday December 28: Taiwan Weighted Price: 4600.67; Korea Comp Ex. (c).
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

Prices data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]


# FINANCIAL TIMES

**Published in**

**LONDON ● PARIS ● FRANKFURT ● NEW YORK ● TOKYO**

Head Office: The Financial Times Ltd, Number One, Southwark Bridge, London SE1 9HL. Telex: (Editorial) 922186. Telex: (Advertising) 885033. Telephone: 071-873 3000. Fax: (Advertising) 071-873 3062.

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# FT MANAGED FUNDS SERVICE

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## AUTHORISED UNIT TRUSTS

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

# FT MANAGED FUNDS SERVICE

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### Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| Cash | 1 | 50.12 | 50.12xd | 50.62 | 10.6 | 46296 |
| Capital Preference | 5½ | 48.17 | 48.47 | 51.70 | 9.36 | 46075 |
| Ethical | 5½ | 46.84 | 47.67 | 50.93 | 3.00 | 46948 |
| European Growth | 5½ | 45.18 | 45.33 | 48.35 | 3.2 | 46171 |
| Income | 5½ | 44.61 | 45.15 | 48.16 | 8.12 | 41394 |
| Intl Growth | 5½ | 62.23 | 62.34 | 66.50 | 3.32 | 41395 |
| Managed | 5½ | 56.89 | 56.25 | 60.00 | 4.66 | 41396 |
| UK Growth | 5½ | 48.76 | 49.39 | 52.68 | 5.97 | 41397 |

### Standard Chartered Equitor (1200)F
69 Old Broad Street, EC2M 1QS 071-280 6521

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| Mngd Exempt Acc | 3 | 190.3 | 192.7xd | 200.7 | 3.13 | 41499 |
| Do Income | 3 | 178.1 | 180.3xd | 187.8 | 3.13 | 41321 |

### Standard Life Tst Mngmt Ltd (0629)H
3 George St, Edinburgh EH2 2XZ 0800 393777

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| Managed Acc | 5½ | 34.94 | 34.94 | 37.13 | 2.64 | 41398 |
| UK Equity Gth Acc | 5½ | 47.18 | 48.12 | 51.13 | 2.49 | 41399 |
| UK Eq High Inc Inc | 5½ | 27.99 | 28.70 | 30.50 | 6.84 | 41400 |
| UK Eq High Inc Acc | 5½ | 31.47 | 32.27 | 34.29 | 6.84 | 46462 |
| UK Equity Gen Acc | 5½ | 44.61 | 45.40 | 48.24 | 3.67 | 41401 |
| UK Equity Gen Inc | 5½ | 34.91 | 35.52 | 37.75 | 3.67 | 41402 |
| UK Larger Cos Acc F | 7½ | 292.6 | 296.9 | 322.2 | 4.88 | 41403 |
| UK Larger Cos Inc F | 7½ | 235.6 | 239.0 | 259.4 | 4.88 | 41404 |
| Gilt & Fxd Int Inc | 5½ | 27.85 | 27.92 | 29.53 | 7.85 | 41405 |
| O'seas Larg Cos Acc F | 7½ | 207.4 | 211.5 | 229.5 | 2.09 | 41406 |
| Nth American Acc | 5½ | 34.96 | 35.17 | 37.37 | 0.53 | 41407 |
| Far East Acc | 5½ | 39.03 | 40.03 | 42.54 | – | 41408 |
| European Acc | 5½ | 32.87 | 34.56 | 36.73 | 1.76 | 41409 |

### Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| American ♥ | 5 | 285.4 | 285.4 | 304.6 | 0.77 | 41410 |
| (Accum Units) ♥ | 5 | 335.9 | 335.9 | 358.5 | 0.77 | 41411 |
| British | 5 | 792.9 | 805.9 | 852.6 | 6.08 | 41416 |
| (Accum Units) | 5 | 1302.7 | 1324.1 | 1400.8 | 6.08 | 41417 |
| European | 5 | 312.4 | 312.4 | 332.7 | 1.51 | 41418 |
| (Accum Units) | 5 | 338.6 | 338.6 | 360.6 | 1.51 | 41419 |
| Japan | 5 | 107.6 | 107.6 | 114.7 | – | 41420 |
| (Accum Units) | 5 | 108.5 | 108.5 | 115.6 | – | 41421 |
| New Pacific | 5 | 164.3 | 164.3 | 175.1 | 1.99 | 46365 |

### Funds in Court*

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Capital Jan 3 | 485.40 | 488.99 | 2.89 | 40505 |
| Gross Jan 3 | 168.40 | 169.75xd | 12.08 | 40506 |
| High Yield Jan 3 | 276.78 | 278.99 | 7.89 | 40507 |

* Restricted to monies under Court control

### Henderson Unit Trust Management Ltd

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Pensions Mngd | 51.7 | 52.81 | 4.18 | 40676 |

### INVESCO MIM Management Ltd
Exempt Funds

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Intl Mngd P'Folio | 1139.0 | 1230.0xd | – | 46964 |
| Mngd Pens (Acc) | 64.8 | 69.1 | – | 41007 |

### Lazard Brothers & Co. Ltd

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Property Sept 5 | £2440.0 | 2600.0 | 7.00 | 40777 |
| Inc Gth Prp Jul 31 | £1375.0 | 1460.0 | 8.90 | 40778 |

### Lazard Investors Ltd #
Exempt Funds

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Small Co's Dec 31 | £3805.2 | 3964.3 | 4.12 | 40766 |
| European Dec 31 | £543.0 | 548.9 | 2.07 | 40776 |
| American Dec 31 | £346.3 | 350.1 | 2.32 | 40773 |
| Japan Dec 31 | £470.4 | 475.6 | 1.37 | 40774 |
| Pacific Dec 31 | £128.9 | 132.6 | 2.09 | 40775 |
| W Midlands Sep 30 | £136.30 | 152.30 | 2.48 | 40771 |

### Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Property Nov 30 | 193.56 | 197.40 | 7.94 | 40825 |
| Equity Nov 30 | 834.90 | 846.60 | 4.13 | 40826 |

* Available only to Local Authorities

### M & G Securities Ltd

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Charibond Jan 2 | 104.07 | | 10.37 | 40883 |
| (Accum Units) | 613.94 | | 10.37 | 40884 |
| NAACIF Dec 31 | 40.11 | | 9.8 | 46917 |

### Morgan Grenfell Investment Funds Ltd
Exempt Funds

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| UK Equity † Dec 31 | 120.1 | 129.2 | 2.10 | 46925 |
| UK Small Co † Dec 31 | 505.9 | 985.6 | 3.59 | 46926 |

## INSURANCES

## OTHER UK UNIT TRUSTS

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### N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Life Managed Fd | 107.1 | 112.8 | – | 41924 |
| Pension Managed Fd | 106.0 | 111.6 | – | 41926 |
| Life Deposit Fd | 111.7 | 117.6 | – | 41925 |
| Pension Deposit Fd | 118.8 | 125.1 | – | 41925 |

For National Fin see Target Life

### National Mutual Life

### National Provident Institution

### Providence Capital Life Assc. Co Ltd

2 Bentley Way, Hook, Hants RG27 9XA 0256 768888

### Skandia Life Assurance Co Ltd (z)

Skandia Hse, Portland Terr, Southampton 0703 334411

Skandia Price Line 0800 181396

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Balanced Managed | 276.6 | 291.1 | – | 44001 |
| Cautious Managed | 109.6 | 115.3 | – | 44448 |
| Deposit | 233.7 | 246.0 | – | 44006 |
| Equity | 319.2 | 336.0 | – | 44002 |
| International | 245.8 | 258.7 | – | 44003 |
| International Bond | 101.4 | 106.7 | – | 44879 |
| Intl Recovery | 178.0 | 187.3 | – | 44009 |
| Gilt Plus | 254.5 | 267.8 | – | 44004 |

### Target Life Assurance Co Ltd

The Exchange, 66 High St, Aylesbury, Bucks HP20 1SE (0296) 394000

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Managed | 449.9 | 473.6 | – | 44317 |
| Property | 251.6 | 264.9 | – | 44318 |
| Fixed Int | 273.6 | 288.1 | – | 44319 |
| UK Equity | 608 | 640.1 | – | 44320 |
| Int. Equity | 285.1 | 300.2 | – | 44321 |
| Deposit | 222.0 | 233.8 | – | 44322 |
| Managed Property | 187.2 | 197.1 | – | 44323 |
| American Eagle | 117.9 | 124.2 | – | 44324 |
| Worldwide Income | 206.1 | 217 | – | 44326 |
| Australian | 22.9 | 24.2 | – | 44328 |

### Eurolife Assurance Group

Eurolife Hse, 1a St John St., EC1M 4AY 071-454 1151

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| Sterling Eurobond Fd | 190.7 | | – | 44931 |
| Intl Eurobond Fd | 185.8 | | – | 44932 |
| Discretionary Fund | 127.3 | | – | 44933 |

### Finexco International Ltd

PO Box 199, St Peter Port, Guernsey 0481 713100

### Knight Williams & Company Ltd – Contd.

### Lion World Fixed Income Fund

### Lloyds Intl Money Market Fund Ltd

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| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Baring International Fd Mngrs (Ireland) Ltd** | | | | |
| Australia | [illegible] | [illegible] | 1.05 | 44759 |
| Japan Tech. | $57.85 | 60.75 | - | 44762 |
| Japan Fund | $25.10 | 26.36 | 0.17 | 44763 |
| Japan New Gwth Fd. | $18.48 | 19.41 | - | 44764 |
| Malay Sing. | $56.80 | 59.64 | 0.31 | 44765 |
| Nth American | $24.31 | 25.53 | 0.58 | 47418 |
| Octopus Fund | [illegible] | [illegible] | 0.88 | 44766 |
| Pacific Fd. | $62.66 | 65.80xd | - | 44767 |
| [illegible] | $17.90 | 18.80xd | 6.89 | 44769 |
| Europe Fund | $13.88 | 14.58xd | - | 47191 |
| British Screen Fd. | [illegible] | [illegible] | - | 47190 |
| Tristar Warrant | $11.61 | 12.20 | - | 47419 |
| Hong Kong | $53.17 | 55.83xd | 3.09 | 44761 |
| Mngd Portfolio (Stg) | £3.98 | 4.29 | - | 47319 |
| Mngd Portfolio (Dlr) | $10.76 | 11.36 | - | 47318 |
| Currency Fd-Sterling | £19.88 | | - | 44755 |
| Currency Fd-US Dollar | $15.55 | | - | 44754 |
| Curr Fd-Deutschemark | DM41.20 | | - | 44756 |
| Curr Fd-Managed $ | $46.75 | 49.08 | - | 44758 |
| **Federated International Funds Plc** | | | | |
| Federated Short-term US Gov't Securities Fund | | | | |
| Institutional Svc Series* | $1.00 | | 4.70 | 40562 |
| Investment Series* | $1.00 | | 4.60 | 40563 |

* Annualised Yield

## ISLE OF MAN (SIB RECOGNISED)

**Allied Dunbar Intl Fund Mgrs (1600)F**

Lord Street, Douglas, IoM 0624 661551

**Asset Global Funds Ltd (1200)**

Victory Hse, Prospect Hill, Douglas, IoM 0624 620097

## JERSEY (REGULATED)(**)

**Barclays Intl Funds**

**Cater Allen Investment Management (CI)**

**Citibank (CI) Ltd "Citifunds"**

# CURRENCIES, MONEY AND CAPITAL MARKETS

## MONEY MARKETS

# Sterling faces test

STERLING will face the true test of its late rally last week, as the markets gather in full force after the new year holiday.

Its moves in a thin market last week were dismissed as exaggerated and misleading by many traders.

There was some speculation that the pound would come under renewed pressure, although dealers believed that the Bank of England would be more visible in supporting the UK currency than in recent weeks. "The bank has sufficient reserves to fend off a fairly good downwards push on the pound," said Mr David Dean, assistant chief dealer at Barclays.

The pressure for a rise in interest rates had been eased somewhat by sterling's strength. "At the moment things are looking comfortable," said one senior dealer.

Sterling, along with the dollar, had become a safe haven for investors fleeing the D-Mark. But traders said were expecting a reappraisal of the pound and the dollar this week.

In the US, investors will be watching the outcome of President George Bush's visit to Tokyo this week, where it is likely that he will win some concessions to keep the yen firm.

President Bush arrives in Tokyo on Tuesday.

The urgency of his efforts to put some life into a moribund economy will be highlighted by the employment report due out this Friday.

"We will find out just how awful the US economy really is," said Dr Mark Austin, economist with Hongkong Bank.

The Federal Reserve has been debating the need for a further cut in its fund rate as a last-ditch measure to spark economic recovery before the election.

**UK clearing bank base lending rate 10.5 per cent from September 4, 1991**

## £ IN NEW YORK

| Jan.3 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.8485-1.8495 | 1.8660-1.8670 |
| 1 month | 1.01-0.99pm | 1.03-1.02pm |
| 3 months | 2.95-2.92pm | 3.04-3.01pm |
| 12 months | 10.75-10.65p | 11.05-10.95p |

Forward premiums and discounts apply to the US dollar

## STERLING INDEX

## CURRENCY MOVEMENTS

| Jan 3 | Bank of England Index | Morgan Guaranty Changes % |
|---|---|---|
| Sterling | 91.4 | -20.2 |
| U.S. Dollar | 61.1 | -18.4 |
| Canadian Dollar | 103.0 | +0.8 |
| Austrian Schilling | 110.5 | +12.6 |
| Belgian Franc | 112.4 | -1.1 |
| Danish Krone | 109.4 | +8.6 |
| D-Mark | 119.9 | +26.3 |
| Swiss Franc | 109.5 | +17.4 |
| Dutch Guilder | 115.4 | +17.1 |
| French Franc | 103.9 | -12.2 |
| Lira | [illegible] | [illegible] |
| Yen | [illegible] | [illegible] |
| Peseta | [illegible] | [illegible] |

## CURRENCY RATES

## OTHER CURRENCIES

## CHICAGO

## POUND SPOT - FORWARD AGAINST THE POUND

| Jan 3 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.8460 - 1.8655 | 1.8460 - 1.8470 | 1.01-0.99cpm | 6.50 | 2.92-2.89pm | 6.29 |
| Canada | 2.1205 - 2.1455 | 2.1220 - 2.1230 | 0.63-0.54cpm | 3.31 | 1.84-1.70pm | 3.34 |
| Netherlands | 3.2100 - 3.2275 | 3.2100 - 3.2200 | ¼-⅛cpm | 0.70 | ⅜-⅛pm | 0.78 |
| Belgium | 58.60 - 59.05 | 58.75 - 58.85 | [illegible] | 6.22 | 93-91pm | 6.26 |
| Denmark | 11.0825 - 11.1500 | 11.0825 - 11.0925 | 1¼-½orepm | 0.88 | 2¾-1¼pm | 0.68 |
| Ireland | 1.0715 - 1.0760 | 1.0740 - 1.0750 | 0.02pm-0.03pdis | -0.06 | par-0.10dis | -0.19 |
| Germany | 2.8525 - 2.8630 | 2.8525 - 2.8575 | ⅝-⅛pfpm | 1.05 | ⅞-⅝pm | 1.05 |
| Portugal | 248.35 - 251.25 | 248.30 - 249.30 | [illegible] | -2.05 | 98-175dis | -2.19 |
| Spain | 180.50 - 181.90 | 180.50 - 180.80 | 4-13cdis | -0.56 | 1-8dis | -0.10 |
| Italy | 2154.75 - 2161.70 | 2154.75 - 2155.75 | 3-5liredis | -2.23 | 7-10dis | -1.58 |
| Norway | 11.2075 - 11.2745 | 11.2075 - 11.2175 | ¼-½oredis | -0.33 | [illegible] | -0.16 |
| France | 9.7400 - 9.7775 | 9.7400 - 9.7500 | ⅜-⅛cpm | 0.31 | 1¼-⅜pm | 0.38 |
| Sweden | 10.3965 - 10.4470 | 10.4050 - 10.4150 | 2⅜-3¼oredis | -3.31 | 5½-6¼dis | -2.23 |
| Japan | 230.00 - 232.35 | 230.00 - 231.00 | 1-⅞ypm | 4.88 | [illegible] | 4.99 |
| Austria | 20.05 - 20.15 | 20.05 - 20.08 | 1½-½gropm | 0.6 | 5¼-3¼pm | 0.83 |
| Switzerland | 2.5360 - 2.5495 | 2.5350 - 2.5450 | ⅝-½cpm | 2.66 | 1⅝-1¼pm | 2.36 |
| Ecu | 1.4005 - 1.4030 | 1.4020 - 1.4030 | 0.04-0.01cpm | 0.21 | 0.10-0.07pm | 0.21 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.74-5.69cpm. 12 Month 10.80-10.70pm

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Jan 3 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.8460 - 1.8655 | 1.8460 - 1.8470 | 1.01-0.99cpm | 6.50 | 2.92-2.89pm | 6.29 |
| Ireland† | 1.7195 - [illegible] | [illegible] | 0.94-0.89cpm | 6.38 | 2.70-2.60pm | 6.16 |
| Canada | 1.1465 - 1.1505 | 1.1470 - 1.1480 | 0.29-0.32cdis | -3.19 | [illegible] | -2.98 |
| Netherlands | 1.7255 - 1.7425 | 1.7410 - 1.7420 | 0.80-0.82cdis | [illegible] | [illegible] | -5.46 |
| Belgium | 31.50 - 31.90 | 31.80 - 31.90 | 13.00-16.00cdis | [illegible] | 40.00-45.00dis | -5.34 |
| Denmark | [illegible] | [illegible] | 2.60-3.00oredis | -5.60 | [illegible] | -5.51 |
| Germany | 1.5285 - 1.5475 | 1.5460 - 1.5470 | 0.70-0.71pfdis | -5.47 | 2.09-2.11dis | -5.43 |
| Portugal | 134.05 - 134.50 | 134.35 - 134.45 | 90-100cdis | -8.48 | 285-305dis | -8.78 |
| Spain | 97.20 - 97.95 | 97.80 - 97.90 | 70-74cdis | -8.13 | 200-210dis | -8.38 |
| Italy | 1156.00 - 1167.50 | 1167.00 - 1167.50 | 8.10-8.60liredis | -8.58 | 22.50-23.50dis | -7.88 |
| Norway | 6.0230 - 6.0750 | 6.0700 - 6.0750 | 3.10-3.50oredis | -6.52 | 9.45-9.95dis | -6.39 |
| France | 5.2200 - 5.2800 | 5.2790 - 5.2800 | 2.70-2.75cdis | -6.20 | 7.85-7.95dis | -5.99 |
| Sweden | 5.5780 - 5.6400 | 5.6350 - 5.6400 | 4.38-4.63oredis | -9.59 | 11.80-12.35dis | -8.57 |
| Japan | 124.15 - 125.00 | 124.80 - 124.90 | 0.14-0.15ydis | -1.39 | 0.40-0.42dis | -1.31 |
| Austria | 10.7700 - 10.8675 | 10.8625 - 10.8675 | 5.20-5.60grodis | -5.96 | 14.30-15.40dis | -5.47 |
| Switzerland | 1.3640 - 1.3756 | 1.3745 - 1.36755 | 0.43-0.46cdis | -3.89 | 1.34-1.39dis | -3.98 |
| Ecu | 1.3160 - 1.3300 | 1.3170 - 1.3180 | 0.71-0.69cpm | 6.38 | 2.06-2.00pm | 6.16 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

## EXCHANGE CROSS RATES

| Jan.3 | £ | $ | DM | Yen | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr. | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.847 | 2.855 | 230.5 | 9.745 | 2.540 | 3.215 | 2155 | 2.123 | 58.80 | 1.403 |
| $ | 0.541 | 1 | 1.546 | 124.8 | 5.276 | 1.375 | 1.741 | 1167 | 1.149 | 31.84 | 0.760 |
| DM | 0.350 | 0.647 | 1 | 80.74 | 3.413 | 0.890 | 1.126 | 754.8 | 0.744 | 20.60 | 0.491 |
| YEN | 4.338 | 8.013 | 12.39 | 1000. | 42.28 | 11.02 | 13.95 | 9349 | 9.210 | 255.1 | 6.087 |
| F Fr. | 1.026 | 1.895 | 2.930 | 236.5 | 10. | 2.606 | 3.299 | 2211 | 2.179 | 60.34 | 1.440 |
| S Fr. | 0.394 | 0.727 | 1.124 | 90.75 | 3.837 | 1 | 1.266 | 848.4 | 0.836 | 23.15 | 0.552 |
| N Fl. | 0.311 | 0.574 | 0.888 | 71.70 | 3.031 | 0.790 | 1 | 670.3 | 0.660 | 18.29 | 0.436 |
| Lira | 0.464 | 0.857 | 1.325 | 107.0 | 4.522 | 1.179 | 1.492 | 1000. | 0.985 | 27.29 | 0.651 |
| C $ | 0.471 | 0.870 | 1.345 | 108.6 | 4.590 | 1.196 | 1.514 | 1015 | 1 | 27.70 | 0.661 |
| B Fr. | 1.701 | 3.141 | 4.855 | 392.0 | 16.57 | 4.320 | 5.468 | 3665 | 3.611 | 100. | 2.386 |
| Ecu | 0.713 | 1.316 | 2.035 | 164.3 | 6.946 | 1.810 | 2.292 | 1536 | 1.513 | 41.91 | 1 |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## EURO-CURRENCY INTEREST RATES

| Jan 3 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 10½ - 10¼ | 10½ - 10¼ | 10⅞ - 10¾ | 10⅞ - 10¾ | 10⅞ - 10⅞ | 10⅞ - 10⅞ |
| US Dollar | 4½ - 4¼ | 4½ - 4¼ | 4¼ - 4⅛ | 4⅛ - 4 | 4⅛ - 4 | 4⅛ - 4⅛ |
| Can. Dollar | 7¼ - 7 | 7¼ - 7 | 7⅛ - 6⅞ | 7⅛ - 6⅞ | 6⅞ - 6¾ | 6⅞ - 6¾ |
| Dutch Guilder | 10 - 9¾ | 10 - 9¾ | 9¾ - 9⅝ | 9⅞ - 9¾ | 9⅞ - 9¾ | 9⅞ - 9¾ |
| Swiss Franc | 8¼ - 7¾ | 8¼ - 7¾ | 8¼ - 8 | 8⅛ - 8 | 8⅛ - 8 | 8 - 7⅞ |

## FT LONDON INTERBANK FIXING

## MONEY RATES

## LONDON MONEY RATES

Treasury Bills (sell): one-month 10 per cent; three months 10 per cent; six months 9⅞ per cent; Bank Bills (sell): one-month 10⅜ per cent, three months 10¼ per cent; Treasury Bills; Average tender rate of discount 10.0676 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1991. Agreed rates for period Jan 25, 1991 to February 25, 1992, Scheme I: 11.80 p.c., Schemes II & III: 12.06 p.c. Reference rate for period Nov 30, 1991 to December 31, 1991, Scheme IV&V: 10.812 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from January 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent, nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

## PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

| Strike Price | Calls Jan | Calls Feb | Calls Mar | Calls Jun | Puts Jan | Puts Feb | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 1.725 | 11.85 | 12.00 | 12.09 | 11.95 | - | 0.18 | 0.37 | 2.73 |
| 1.750 | 9.35 | 9.50 | 9.51 | 9.78 | - | 0.45 | 1.15 | 3.61 |
| 1.775 | 6.92 | 7.3 | 7.34 | 7.88 | 0.02 | 0.89 | 1.83 | 4.65 |
| 1.800 | 4.48 | 3.12 | 5.49 | 6.31 | 0.03 | 1.55 | 2.67 | 5.87 |
| 1.825 | 2.34 | 3.45 | 3.97 | 4.99 | 0.42 | 2.56 | 3.82 | 7.28 |
| 1.850 | 0.85 | 2.22 | 2.80 | 3.90 | 1.47 | 3.88 | 5.27 | 8.81 |
| 1.875 | 0.19 | 1.36 | 1.96 | 3.08 | 3.39 | 5.86 | 6.95 | 10.57 |

Previous day's open int. Calls N/A Puts N/A (All currencies).
Previous day's volume Calls N/A Puts N/A (All currencies)

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS<br>Figures in parentheses show number of lines of stock | FRIDAY JANUARY 3 1992<br>US Dollar Index | % chg ($) since 31/12/91 | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg from 31/12/91 | Gross Div. Yield | THURSDAY JANUARY 2 1992<br>US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX<br>1991/92 High | 1991/92 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (69) | 150.91 | +0.0 | 121.17 | 119.09 | 121.33 | 132.49 | +0.3 | 4.20 | 149.69 | 118.84 | 117.85 | 118.96 | 131.67 | 160.31 | 112.74 | 114.92 |
| Austria (20) | 165.86 | -0.5 | 133.02 | 130.75 | 133.20 | 132.91 | +1.3 | 2.17 | 166.19 | 131.94 | 130.85 | 132.07 | 130.97 | 222.37 | 153.86 | 191.53 |
| Belgium (47) | 142.45 | -1.3 | 114.38 | 112.42 | 114.53 | 111.89 | +0.6 | 5.29 | 144.94 | 115.07 | 114.10 | 115.18 | 112.06 | 151.20 | 118.04 | 131.03 |
| Canada (115) | 137.31 | +0.7 | 110.25 | 108.36 | 110.39 | 114.09 | +0.0 | 3.22 | 136.13 | 108.07 | 107.17 | 108.17 | 113.51 | 144.28 | 126.49 | 129.19 |
| Denmark (37) | 267.01 | -0.1 | 214.39 | 210.73 | 214.68 | 218.07 | +1.6 | 1.64 | 268.57 | 213.22 | 211.45 | 213.42 | 216.61 | 270.56 | 217.74 | 225.83 |
| Finland (15) | 78.90 | +1.1 | 63.35 | 62.27 | 63.44 | 69.24 | +2.3 | 3.52 | 79.84 | 63.38 | 62.86 | 63.45 | 68.89 | 125.15 | 73.32 | 99.82 |
| France (109) | 148.18 | -1.5 | 118.96 | 116.92 | 119.12 | 122.66 | +0.3 | 3.61 | 148.17 | 117.63 | 116.65 | 117.73 | 121.32 | 152.26 | 119.11 | 132.51 |
| Germany (65) | 117.42 | +0.1 | 94.28 | 92.66 | 94.41 | 94.41 | +2.0 | 2.44 | 118.68 | 94.22 | 93.45 | 94.31 | 94.31 | 125.35 | 94.15 | 110.95 |
| Hong Kong (55) | 177.32 | +0.5 | 142.37 | 139.94 | 142.57 | 176.50 | +0.2 | 4.22 | 176.63 | 140.22 | 139.06 | 140.37 | 176.32 | 177.32 | 119.62 | 122.72 |
| Ireland (18) | 168.40 | +0.4 | 135.21 | 132.90 | 135.39 | 137.95 | +2.0 | 3.63 | 170.96 | 135.72 | 134.60 | 135.86 | 138.52 | 182.46 | 132.88 | 143.85 |
| Italy (77) | 74.22 | -1.6 | 59.59 | 58.57 | 59.67 | 64.70 | +0.0 | 3.58 | 74.73 | 59.33 | 58.83 | 59.38 | 64.57 | 88.23 | 64.76 | 79.04 |
| Japan (474) | 135.93 | +0.1 | 109.14 | 107.28 | 109.31 | 107.28 | +0.0 | 0.79 | 136.26 | 108.17 | 107.28 | 108.29 | 107.28 | 146.97 | 118.23 | 126.01 |
| Malaysia (68) | 212.56 | -0.7 | 170.68 | 167.76 | 170.91 | 222.48 | -0.9 | 2.95 | 212.70 | 168.86 | 167.45 | 169.02 | 222.98 | 247.78 | 189.18 | 208.27 |
| Mexico (18) | 1388.32 | -0.2 | 1114.71 | 1095.66 | 1116.24 | 4863.81 | +0.8 | 1.12 | 1376.91 | 1093.11 | 1084.04 | 1094.18 | 4625.46 | 1404.63 | 534.45 | 579.22 |
| Netherland (31) | 153.81 | +0.7 | 123.50 | 121.39 | 123.67 | 122.26 | +2.7 | 4.42 | 154.68 | 122.80 | 121.78 | 122.92 | 121.57 | 154.68 | 125.70 | 133.14 |
| New Zealand (14) | 46.87 | -0.2 | 37.64 | 36.99 | 37.69 | 46.17 | +0.0 | 5.95 | 46.77 | 37.13 | 36.83 | 37.17 | 46.17 | 54.64 | 41.18 | 43.68 |
| Norway (25) | 182.59 | +2.1 | 146.60 | 144.10 | 146.81 | 150.49 | +4.0 | 1.72 | 181.67 | 144.22 | 143.03 | 144.37 | 147.52 | 223.24 | 157.08 | 197.50 |
| Singapore (38) | 218.33 | -0.6 | 175.30 | 172.31 | 175.54 | 163.75 | -0.2 | 2.13 | 218.04 | 173.10 | 171.66 | 173.26 | 153.28 | 219.68 | 151.63 | 160.17 |
| South Africa (61) | 250.84 | +0.8 | 201.40 | 197.96 | 201.67 | 172.69 | -0.2 | 2.85 | 249.19 | 197.83 | 196.18 | 198.02 | 172.37 | 271.99 | 173.00 | 182.66 |
| Spain (52) | 153.67 | -1.8 | 123.38 | 121.28 | 123.55 | 113.91 | -0.6 | 4.84 | 150.37 | 119.37 | 118.39 | 119.49 | 110.67 | 171.12 | 131.51 | 139.97 |
| Sweden (25) | 178.68 | -1.4 | 143.47 | 141.02 | 143.67 | 149.12 | +0.3 | 2.99 | 179.26 | 142.31 | 141.13 | 142.45 | 147.95 | 204.12 | 146.60 | 154.79 |
| Switzerland (59) | 101.10 | +0.7 | 81.18 | 79.79 | 81.30 | 86.18 | +2.2 | 2.32 | 99.60 | 79.07 | 78.42 | 79.16 | 84.31 | 101.10 | 82.17 | 88.08 |
| United Kingdom (234) | 183.89 | -0.8 | 147.65 | 145.11 | 147.83 | 147.65 | +0.5 | 5.04 | 185.12 | 146.97 | 145.73 | 147.10 | 146.97 | 187.44 | 156.27 | 164.50 |
| USA (524) | 170.69 | +0.5 | 137.06 | 134.71 | 137.24 | 170.69 | +0.5 | 2.87 | 169.90 | 134.88 | 133.77 | 135.02 | 169.90 | 170.69 | 125.95 | 129.74 |
| Europe (814) | 146.74 | -0.6 | 117.82 | 115.81 | 117.99 | 118.54 | +0.9 | 4.06 | 147.31 | 116.95 | 115.98 | 117.07 | 117.71 | 151.52 | 125.50 | 133.75 |
| Nordic (102) | 183.24 | -0.3 | 147.12 | 144.61 | 147.33 | 145.89 | +1.4 | 2.22 | 183.92 | 146.01 | 144.80 | 146.16 | 144.63 | 200.81 | 155.55 | 162.69 |
| Pacific Basin (718) | 137.24 | +0.1 | 110.19 | 108.31 | 110.34 | 109.87 | +0.0 | 1.11 | 137.47 | 109.14 | 108.23 | 109.24 | 109.84 | 145.92 | 117.86 | 125.17 |
| Euro-Pacific (1532) | 141.38 | -0.2 | 113.50 | 111.55 | 113.65 | 114.10 | +0.4 | 2.33 | 141.73 | 112.52 | 111.58 | 112.62 | 113.75 | 147.66 | 121.29 | 128.00 |
| North America (639) | 168.67 | +0.5 | 135.35 | 133.05 | 135.55 | 166.83 | +0.4 | 2.88 | 167.76 | 133.18 | 132.09 | 133.33 | 166.05 | 168.57 | 125.91 | 129.61 |
| Europe Ex. UK (580) | 124.47 | -0.6 | 99.94 | 98.26 | 100.10 | 101.80 | +1.2 | 3.34 | 124.70 | 99.00 | 98.19 | 99.11 | 100.91 | 129.80 | 103.58 | 114.95 |
| Pacific Ex. Japan (244) | 150.11 | +0.0 | 120.52 | 118.48 | 120.70 | 134.72 | +0.1 | 3.95 | 149.39 | 118.60 | 117.63 | 118.73 | 134.33 | 153.19 | 111.40 | 114.56 |
| World Ex. US (1726) | 143.16 | -0.2 | 114.94 | 112.99 | 115.11 | 115.82 | +0.4 | 2.36 | 143.44 | 113.88 | 112.94 | 113.99 | 115.45 | 148.16 | 122.32 | 129.80 |
| World Ex. UK (2016) | 148.26 | +0.2 | 119.04 | 117.01 | 119.22 | 131.24 | +0.4 | 2.27 | 148.06 | 117.54 | 116.58 | 117.67 | 130.76 | 148.26 | 120.06 | 125.27 |
| World Ex. So. Af. (2189) | 150.73 | +0.1 | 121.02 | 118.96 | 121.20 | 132.47 | +0.4 | 2.55 | 150.66 | 119.61 | 118.63 | 119.73 | 131.97 | 150.73 | 122.92 | 128.42 |
| World Ex. Japan (1776) | 160.97 | +0.1 | 129.24 | 127.05 | 129.44 | 147.14 | +0.6 | 3.33 | 160.68 | 127.56 | 126.51 | 127.70 | 146.35 | 160.97 | 126.69 | 131.45 |
| The World Index (2250) | 151.37 | +0.1 | 121.54 | 119.46 | 121.71 | 132.82 | +0.4 | 2.55 | 151.29 | 120.11 | 119.12 | 120.23 | 132.33 | 151.37 | 123.28 | 129.75 |

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Constituent changes during the week ending 3/1/92: Deletions: Banco Hispano Americano (Spain) and C&S/Sovran(USA). Name changes: American Family to Aflac (USA) and Banco Central to Banco Central Hispano Americano (Spain). Markets closed January 3. Japan and New Zealand.

## LONDON RECENT ISSUES

## FIXED INTEREST STOCKS

## RIGHTS OFFERS

## BANK OF ENGLAND TREASURY BILL TENDER

## WEEKLY CHANGE IN WORLD INTEREST RATES

| | Jan 3 | change | | Jan 3 | change |
|---|---|---|---|---|---|
| 1 Mth. Bank Bills | 10⅜ | -⅞ | Three month | 9.55 | -0.10 |
| 3 Mth. Bank Bills | 10¼ | -¼ | PARIS | | |
| TOKYO | | | Intervention Rate | 9.60 | Unch'd |
| One month Bills | 5⅛ | -⅛ | One mth. Interbank | 10¼ | +⅛ |
| Three month Bills | - | - | Three month | 10⅜ | +1/16 |
| BRUSSELS | | | MILAN | | |
| One month | 9⅝ | -⅛ | One month | 12⅞ | -1/2 |
| Three month | 9⅝ | -1/16 | Three month | 12⅞ | -1/16 |
| AMSTERDAM | | | DUBLIN | | |
| One month | 9.825 | -0.135 | One month | 10⅜ | -⅛ |
| Three month | 9.725 | -0.2125 | Three month | 10½ | -¼ |

## FINANCIAL TIMES STOCK INDICES

| | Jan 3 | Jan 2 | Dec 31 | Dec 30 | Dec 27 | Dec 24 | 1991/92 High | 1991/92 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 87.10 | 87.00 | 86.28 | 86.28 | 86.56 | 86.46 | 87.94 | 82.17 | 127.4 | 49.18 |
| Fixed Interest | 97.41 | 97.15 | 96.61 | 96.72 | 96.80 | 96.71 | 97.49 | 90.59 | 105.4 | 50.53 |
| Ordinary | 1901.4 | 1888.0 | 1891.6 | 1838.6 | 1841.8 | 1813.0 | 2108.3 | 1808.3 | 2108.3 | 49.4 |
| Gold Mines | 140.1 | 137.9 | 140.1 | 142.6 | 143.6 | 143.9 | 222.8 | 127.0 | 734.7 | 43.5 |
| FT Act All-Share | 1193.57 | 1188.44 | 1187.70 | 1157.95 | 1157.09 | 1142.61 | 1284.07 | 987.46 | 1284.07 | 61.92 |
| FT-SE 100 | 2504.1 | 2492.8 | 2493.1 | 2420.0 | 2418.7 | 2384.4 | 2679.6 | 2054.8 | 2679.6 | 986.9 |
| FT-SE Eurotrack 100 | 1087.01 | 1078.19 | 1079.41† | 1065.54 | 1055.30 | 1042.60 | 1165.54 | 900.45 | 1165.54 | 900.45 |
| FT-SE Eurotrack 200 | 1135.99 | 1130.42 | 1129.81† | 1107.46 | 1103.91 | 1089.17 | 1198.60 | 938.62 | 1198.60 | 938.62 |

† Partial.

## LONDON SHARE SERVICE

### BRITISH FUNDS

### BRITISH FUNDS - Cont.

| | Notes | Price £ | Wk % change | Amnt £m | Interest due | | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| **Five to Fifteen Years** | | | | | | | | |
| Treas 13¼pc 1997‡‡ | | 112⅝xd | 0.5 | 1,298 | Jy22 | Ja22 | 16.12 | 1302 |
| Exch 10½pc 1997 | | 102⅝ | 0.4 | 3,380 | Au21 | Fe21 | 19.7 | 1253 |
| Treas 8¾pc 1997‡‡ | | 95⅞ | 0.6 | 3,880 | Mr1 | Se1 | 28.7 | 1341 |
| Exch 15pc 1997 | | 121⅜ | 0.4 | 838 | Ap27 | Oc27 | 28.9 | 1269 |
| 9¾pc 1998 | | 100⅜xd | 0.5 | 3,858 | Jy19 | Ja19 | [illegible] | 1273 |
| Treas 6¾pc 1995-98‡‡ | | 88⅝ | 0.5 | 1,000 | Nv1 | My1 | [illegible] | 1331 |
| Treas 5½pc 2008-12‡‡ | | 65⅝ | 1.0 | 1,000 | Mr10 | Se10 | 6.8 | 1330 |
| 7¾pc 2012-15‡‡ | | 84⅜xd | 0.8 | 700 | Jy26 | Ja26 | 20.12 | 1332 |
| Exch 12pc '13-'17 | | 124⅜ | 0.6 | 1,000 | Ja12 | De12 | 8.11 | 1260 |
| **Undated** | | | | | | | | |
| Consols 4pc | | 41¼ | 1.2 | 358 | Fe1 | Au1 | 27.12 | 1239 |
| War Loan 3½pc‡‡ | | 37⅜ | 1.4 | 1,909 | Je1 | De1 | 25.10 | 1352 |
| Conv 3½pc '61 Aft | | 45⅞ | 0.8 | 136 | Ap1 | Oc1 | 27.8 | 1243 |
| Treas 3pc '66 Aft | | 30⅝ | 1.4 | 56 | Ap5 | Oc5 | 2.9 | 1324 |
| Consols 2½pc | | 25⅞ | 1.6 | 278 | 5JaApJyOc | | 2.12 | 1238 |
| Treas. 2½pc | | 25⅝ | 1.6 | 475 | Ap1 | Oc1 | 27.8 | 1315 |

### BRITISH FUNDS - Cont.

| | Notes | Price £ | Wk % change | Amnt £m | Interest due | | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Hydro Quebec 15pc 2011 | | 132½ | 0.8 | 40 | My31 | Nv31 | 27.10 | - |
| Int-Am Dev 12½pc 2003 | | 115¼ | 0.7 | 75 | Ja6 | Jy6 | 7.12 | - |
| 9¾pc 2015 | | 97½ | 0.7 | 175 | My15 | Nv15 | 13.10 | - |
| Leeds 13½pc 2006 | | 117½ | 0.8 | 40 | Ap1 | Oc1 | 12.3 | 3146 |
| Liverpool 3½pc Irred | | 38½ | 1.7 | 5 | 1JaApJeOc | | 1.6 | 3169 |
| LCC 3pc '20 Aft | | 27½ | 1.9 | 26 | 1MrJeSeDe | | 1.8 | - |
| Manchester 11½pc 2007 | | 104⅜ | 0.2 | 7 | Ap25 | Oc25 | 30.3 | 3275 |
| Met. Wtr 3pc 'B' | | 63½ | 0.9 | 25 | Mr1 | Se1 | 1.8 | 3361 |
| N'wide Anglia 3⅞pc 2021 | | 105 | 0.5 | 60 | Ja30 | Jy30 | 31.12 | 3485 |
| 4¼pc IL 2024 | | 105 | 0.5 | 60 | Fe23 | Ap23 | 19.2 | - |
| Sth Rhod 87-92 Asstd | | 98½ | — | 3 | Fe7 | Au7 | 7.1 | - |
| Utd Mex States 16½pc 2008 | | 123 | — | 50 | Mr1 | Se1 | 28.1 | - |

### OTHER FIXED INTEREST


**DEN NORSKE STATS OLJESELSKAP A.S.**
**(STATOIL)**
**FF 750,000,000**
**Floating Rate Notes due 1993**

In accordance with the terms and conditions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 31st December 1991 to 31st March 1992 has been fixed at 10.5% per annum. The interest payable on the relevant Interest Payment Date, 31st March 1992 will be FF2,654.17 per FF100,000 Note and FF265.42 per FF10,000 Note.

Banque Nationale de Paris p.l.c.
Reference Agent



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ECU FUTURES PLC, 29 CHESHAM PLACE, SW1X 8HL
DEALING HOURS FROM 8.00 AM TO 9.15 PM



**CIBC ASIA LIMITED**

**¥1,500,000,000**
**Guaranteed Nikkei-Linked Variable Rate Deposit Notes due 1993**
(the "A Notes")

**¥1,000,000,000**
**Guaranteed Nikkei-Linked Variable Rate Deposit Notes due 1993**
(the "B Notes")

NOTICE IS HEREBY GIVEN that for the Interest Period 18th January, 1991 to 18th January, 1992 the Rate of Interest payable in respect of the A Notes will be zero per cent. per annum and there will be no interest payable. The Rate of Interest payable in respect of the B Notes will be zero per cent. per annum and there will be no interest payable.

Bankers Trust Company, London — Agent Bank


# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

# LONDON SHARE SERVICE

## AMERICANS

| | Notes | Price £ | Wk% change | Div gross | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|
| Abbott Labs | | 36xd | 1.8 | $1.00 | FeMyAuNv | 9.10 | 1503 |
| ♥Allegheny & W | | 243p | 4.3 | 30c | – | – | – |
| Amdahl | | 690pxd | 14.2 | 16c | NvMrJeAu | 31.1 | – |
| Amer Cyanamid | | 34¾ | 8.2 | $1.50 | MrJeSeDe | 27.2 | – |
| Amer Express | | 11⅛xd | 0.8 | $1.00 | FeMyAuNv | 30.12 | 1594 |
| Amer T & T | | 21xd | 2.8 | $1.32 | FeMyAuNv | 27.3 | 1597 |
| Ameritech | | 34½ | 1.3 | $3.48 | FeMyAuNv | 28.3 | – |
| BankAmerica | | 28[illegible]xd | – | $1.20 | FeMySeDe | 19.11 | 1744 |
| Bankers NY | | 33[illegible]xd | 0.2 | $1.52 | ApJyOcJa | 27.12 | 1745 |
| Bell Atlantic | | 28⅓xd | 2.2 | $2.52 | FeMyAuNv | 4.7 | – |
| BellSouth | | 28⅛ | 5.1 | $2.76 | FeMyAuNv | 5.4 | – |
| ♥Bethlehem Steel | | 7½xd | 11.1 | 40c | MrJeSeDe | 8.2 | 1821 |
| Bowater | | 1180p | 12.8 | $1.20 | OcJaApJy | 8.8 | 1884 |
| CPC | | 48[illegible]xd | 3.3 | $2.00 | JaApJyOc | 27.12 | 2263 |
| California Engy | | 831p | 11.4 | – | – | – | – |
| Campbell Soup | h | 22⅝xd | 4.6 | 70c | OcJaApJy | 24.12 | 2050 |
| Chase Manhattan | | 9¾ | 2.0 | $1.20 | FeMyAuNv | 30.10 | 2109 |
| Chrysler | | 6[illegible]xd | 3.4 | 60c | ApJyOcDe | 11.12 | 2135 |
| Citicorp | | 5⅝xd | – | – | – | 23.10 | 2141 |
| Colgate-Palm | | 25[illegible]xd | 1.5 | $1.06 | FeMyAuNv | 22.10 | 2184 |
| Cont'l Bank | | 505p | 10.0 | 80c | DeMrJeSe | 31.5 | – |
| Dana | | 14⅞xd | 5.3 | $1.60 | MrJeSeDe | 25.11 | 2306 |
| Data General | | 877p | 14.3 | – | – | – | – |
| Dial | | 24⅜xd | 3.7 | $1.40 | JaApJyOc | 28.5 | 2778 |
| Dun & Brad | | 29⅞ | 10.6 | $2.16 | MrJeSeDe | 13.2 | – |
| Eaton | | 34¼ | 9.8 | $2.20 | – | 2.2 | 2410 |
| Echlin | | 7⅞xd | 5.4 | 78c | JaApJyOc | 30.12 | 3046 |
| FPL | | 19[illegible]xd | 0.6 | $2.48 | MrJeSeDe | 28.11 | – |
| Fluor | | 23xd | -.5 | 40c | JaApJyOc | 18.12 | 2609 |
| [illegible] | | 15⅝xd | 4.2 | $1.60 | MrJeSeDe | 29.10 | 2615 |
| Gen Elect | | 40[illegible]xd | 3.0 | $2.04 | JaApJyOc | 4.12 | 2675 |
| ♥General Host | | 385p | 6.9 | 34c | – | 13.12 | – |
| Gillette | | 29⅜xd | 6.8 | 82c | MrJeSeDe | 24.6 | 2595 |
| Hasbro | | 21½ | 10.3 | 24c | JaApJyOc | 1.8 | – |
| Honeywell | | 34⅞xd | 5.3 | $1.65 | MyJeSeDe | 25.11 | 2919 |
| [illegible] | | | | | | | |

## CANADIANS

[illegible]

## BANKS

[illegible]

## BREWERS & DISTILLERS

[illegible]

## BUILDING MATERIALS

[illegible]

## BUILDING MATERIALS - Cont.

[illegible]

## BUSINESS SERVICES

[illegible]

## CHEMICALS

[illegible]

## CONGLOMERATES

[illegible]

## CONTRACTING & CONSTRUCTION

[illegible]

## CONTRACTING & CONSTRUCTION - Cont.

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONICS

[illegible]

## ENGINEERING AEROSPACE

[illegible]

## ENGINEERING GENERAL

[illegible]

## ENGINEERING - GENERAL - Cont.

[illegible]

## FOOD MANUFACTURING

[illegible]

## FOOD RETAILING

[illegible]

## HEALTH & HOUSEHOLD

[illegible]

## HEALTH & HOUSEHOLD - Cont.

[illegible]

## HOTELS & LEISURE

[illegible]

## INSURANCE BROKERS

[illegible]

## INSURANCE COMPOSITE

[illegible]

## INSURANCE LIFE

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

## MEDIA

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## MISCELLANEOUS - Cont.

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIAL MATERIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## STORES - Cont.

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

| | Notes | Price | W'k's ch'nge | Div net | Div cov. | Dividend paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Anglo-East | | 38 | — | – | – | – | – | 1818 |
| Berlam | | 84 | 6.3 | 2.6 | 1.3 | Aug | 1.7 | 1819 |
| Cons Plants MS | | 39 | 21.9 | 08c | 1.0 | Apr Nov | 18.9 | 4061 |
| Golden Hope MS | n | 38 | 8.3 | 08c | 1.2 | May Nov | 30.9 | 2839 |
| Highlands MS | | 52 | — | 028c | 0.9 | Jan Nov | 30.9 | 2883 |
| Kuala Kepong MS | | 84 | 8.5 | 016c | ♦ | Apr Oct | 2.9 | 3109 |
| Lendu | | 36 | — | 0.3 | – | Dec Jul | 20.5 | 3154 |
| Rowe Evans | | 40 | 5.3 | 1.6 | 1.5 | Aug | 17.5 | 3858 |

**Teas**

| | Notes | Price | W'k's ch'nge | Div net | Div cov. | Dividend paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Moran | | 135 | — | 1.0 | – | Jan Apr | 10.12 | 3411 |
| Williamson | | 1808 | — | 25.0 | 2.2 | May Oct | 2.9 | 4512 |

## MINES

| | Notes | Price | W'k's ch'nge | Div net | Div cov. | Dividend paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| **Central Rand** | | | | | | | | |
| Durban Deep | | 397 | −2.6 | – | – | – | 12.86 | 2389 |
| East Rand Prp | | 152 | 1.3 | – | – | – | 6.81 | 2399 |
| Randfon'n Est | ‡ | 270 | −2.5 | Q100c | 2.6 | Feb Sep | 1.7 | 3767 |
| Simmer & Jack | | 38 | — | – | – | – | 3.87 | – |
| West Rand | † | 105 | — | 070c | 1.1 | Mar Sep | 29.7 | – |
| **Eastern Rand** | | | | | | | | |
| ♥AFMIN | ? | 5 | — | 08.3c | – | Apr | – | – |
| Bracken | | $20\frac{1}{2}$ | 2.5 | 025c | 1.7 | Jan Nov | 28.10 | 1928 |
| East Daggs | ‡ | 135 | −7 | Q100c | 1.0 | Dec Jan | 31.5 | 2306 |
| Eastern Trans | | 65xd | 1.6 | 014c | 1.4 | Jul Jan | 30.12 | – |
| ERGO | ‡ | 110 | — | 070c | 1.7 | Dec Jun | 20.5 | 2388 |
| Grootvlei | † | $75\frac{1}{2}$ | −2.6 | 030c | 0.7 | Sep Mar | 29.7 | 2779 |
| Kinross | | 735 | −7 | Q235c | ♦ | Jan Dec | 28.10 | 3082 |
| Leslie | | 50 | 1.0 | 020c | 2.0 | Jan Dec | 28.10 | 3157 |
| Randex | | 16 | — | – | – | – | 12.86 | – |
| S African Ld | | 23 | −11.5 | 042c | 0.9 | Mar Sep | 12.8 | 4763 |
| Viakfontein | | 18 | — | – | – | – | 6.88 | – |
| Winkelhaak | | 548 | −1.1 | Q180c | ♦ | Jan | 29.4 | 4522 |
| **Far West Rand** | | | | | | | | |
| Blyvoor | | $98\frac{3}{4}$ | −6.6 | 030c | 3.0 | Mar Aug | 12.8 | 1867 |
| Buffels | | 482 | −5.4 | 0210c | 1.5 | Mar Sep | 29.7 | 2008 |
| Deelkraal | | 112xd | 2.7 | 020c | 3.0 | Feb Aug | 30.12 | 2338 |
| Doornfontein | | $33\frac{1}{2}$ | −6.2 | – | – | – | 6.89 | 2384 |
| Driefontein | | 624xd | 0.2 | Q135c | 1.6 | Aug Feb | 30.12 | 1982 |

## MINES - Cont.

| | Notes | Price | W'k's ch'nge | Div net | Div cov. | Dividend paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Elandsrand | | 304 | −1.9 | 030c | 4.8 | Mar Sep | 12.8 | 2432 |
| Elsburg | | 50 | −4.8 | – | – | – | 1.87 | 2433 |
| Hartebeest | | 248xd | −5.1 | Q100c | 1.3 | Jan Jul | 30.12 | 2841 |
| Kloof | | 518xd | −.8 | 030c | 3.3 | Feb Aug | 30.12 | 3104 |
| Libanon | | 42 | −15.2 | – | – | – | 27.12 | 3162 |
| Southvaal | | $£10\frac{1}{2}$ | 1.2 | Q325c | 1.0 | Sep Mar | 12.8 | 4065 |
| Stilfontein | ‡ | 66 | — | 070c | – | Mar Aug | 28.1 | 4117 |
| Vaal Reefs | | $£32\frac{3}{8}$ | −1.9 | Q1000c | 2.7 | Mar Sep | 12.8 | 4382 |
| Venterspost | | 38 | 10.1 | – | – | – | 3.7 | 1218 |
| Western Areas | | $88\frac{1}{4}$ | −1.7 | – | – | – | 1.87 | 4476 |
| Western Deep | | $£18\frac{1}{4}$ | 1.3 | Q310c | 4.0 | Mar Sep | 12.8 | 4477 |
| Zandpan | | 43 | 7.5 | $018\frac{1}{2}$c | 1.0 | Aug Jan | 3.7 | 1234 |
| **O.F.S.** | | | | | | | | |
| Beatrix | | 293 | 4.8 | 078c | 1.0 | Apr Oct | 16.9 | 1782 |
| FS Cons | † | 448 | −1.1 | Q140c | 2.6 | Jan Dec | 20.5 | 2829 |
| Free State Dev | | 28 | −7.1 | – | – | – | – | 2830 |
| Harmony | ‡ | 324 | −1.2 | 080c | 3.6 | Feb Aug | 3.4 | 2833 |
| Joel (HJ) | | 80 | — | – | – | – | – | 3044 |
| Loraine | | 55 | — | – | – | – | 14.11 | 3229 |
| St Helena | † | 357 | −4.3 | Q200c | 1.6 | Mar Sep | 28.7 | 4087 |
| Unisel | | 142 | −3.4 | Q10c | ♦ | Jan | 28.4 | 4358 |
| **Diamond and Platinum** | | | | | | | | |
| Anglo Am Inv | | $£21\frac{1}{2}$ | — | Q380c | 1.0 | Dec Jan | 28.10 | – |
| De Beers Lkd Uts | | $£15\frac{3}{8}$ | 3.6 | Q85.3c | 2.2 | Nov May | 2.10 | 2322 |
| 40pc Pf | | 390 | — | Q200c | x | Feb Aug | 1.7 | – |

| | Notes | Price | W'k's ch'nge | Div net | Div cov. | Dividend paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| ††Ivernia West IE | | 60 | 4.2 | – | – | – | – | – |
| ††Kells Mins IE | | 42 | — | – | – | – | – | 3741 |
| ♣Kenmare | | 8 | 25.0 | – | – | – | – | 1455 |
| ††Navan Res IE | n | 16 | — | – | – | – | – | 1185 |
| Northgate Expl C$ | s | 40 | 2.6 | – | – | – | 10.77 | – |
| North West Expl A$ | | 8 | — | – | – | – | – | – |
| Oryx Gold $ | | 95 | | – | | – | – | 3696 |
| ††Ovoca Gold IE | | 10 | 25.0 | – | – | – | – | 1479 |
| Pleteau | | $12\frac{1}{2}$ | −3.8 | – | – | – | – | 3487 |
| ■RTZ | | 488 | 5.6 | 18.5 | 1.7 | Dec Jul | 16.9 | 3859 |
| ♥Thorco Res | | $4\frac{1}{4}$ | — | – | – | – | – | – |
| ♣Vizcaya | | $2\frac{1}{2}$ | — | – | – | – | – | 4193 |
| ♥Western & Pac C$ | | 17 | — | – | – | – | – | – |
| ♣Young Grp | | 106 | — | 6.2 | 1.5 | May Oct | 2.9 | 5099 |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

*Dividend covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but* including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ *Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International*
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on [illegible] earnings. v Subject to local tax.

z Dividend includes a special payment. Cover [illegible] earnings. M Dividend based on prospectus or other

official estimates for 1991-92. [illegible] xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

# FT Share Service

The following changes have been made to the FT Share Information Service:

**Additions:**

Highcroft Inv. (Section: Other Financials)

M & G Income Inc, Capital, Package Units, Geared Units & Zero Div. Pf. Shares (Investment Trusts)

Schroder Korea Fund Ord. & Warrants (Investment Trusts)

**Deletions:**

Harding Group (Electricals)

Medeva Warrants (Health & Household)

*4:00 pm prices January 3*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1991 High | 1991 Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 16⅞ | 9¼ | AAR Corp | 0.48 | 3.7 | 14 | 591 | 13¼ | 13 | 13 | -⅛ |
| 24¾ | 14½ | A L Labs A | 0.16 | 0.7 | 25 | 318 | 24¼ | 23¾ | 23¾ | -¼ |
| 60 | 40⅞ | AMP Inc | 1.44 | 2.4 | 24 | 2555 | 59⅞ | 58⅞ | 59⅞ | +1⅛ |
| 71 | 44¼ | AMR | | | | 13318 | u71⅞ | 69⅛ | 71⅝ | +2⅛ |
| 2⅝ | 1 | ARX | | | 1 | 41 | 1½ | 1½ | 1½ | |
| 56 | 41½ | ASA | 3.00 | 6.4 | 13 | 428 | 47⅛ | 46¾ | 47 | +¼ |
| 69½ | 39¼ | Abbott Lab x | 1.00 | 1.5 | 27 | 5405 | 68⅛ | 66½ | 67⅞ | +⅛ |
| 14⅝ | 9⅞ | Abitibi Pr x | 0.50 | 4.0 | 17 | 5 | 12⅝ | 12½ | 12⅝ | +⅛ |
| 11⅝ | 10⅝ | ACM Gvt In x | 1.31 | 11.4 | | 2174 | 11½ | 11¼ | 11½ | +¼ |
| 9¼ | 8¾ | ACM GvOpp x | 1.01 | 10.6 | | 174 | 9⅝ | 9½ | 9½ | -⅛ |
| 9½ | 8¼ | ACM Gvt Sp x | 0.17 | 1.8 | | 702 | 9¼ | 9 | 9¼ | +¼ |
| 11 | 9⅞ | ACM Gvt Se x | 1.26 | 11.3 | | 2470 | u11⅛ | 10¾ | 11⅛ | +⅜ |
| 9⅝ | 7⅝ | ACM Man x | 1.05 | 11.5 | | 164 | u9⅛ | 9 | 9⅛ | +⅛ |
| 12⅞ | 11½ | ACM Mangd x | 1.35 | 10.5 | | 369 | u12⅞ | 12⅝ | 12⅞ | +⅛ |
| 7½ | 4¾ | Acme Cleve | 0.40 | 5.5 | 16 | 90 | 7¼ | 7⅛ | 7¼ | |
| 6 | 3⅝ | Acme Elect | | | 3 | 31 | 5 | 4⅞ | 4⅞ | +⅛ |
| 40 | 22¾ | Acuson | | | 20 | 894 | 32¼ | 31⅛ | 31½ | -½ |
| 20¼ | 14¼ | Adams Expr | 1.63 | 8.6 | 0 | 307 | 19⅛ | 18¾ | 19 | |
| 20⅛ | 12⅞ | Adobe12Pf | 2.40 | 17.1 | | 35 | 14¼ | 14 | 14 | -½ |
| 9¼ | 3⅞ | Adobe Res | | | 46 | 114 | 5 | 4⅝ | 4⅞ | -⅛ |
| 45 | 18 | Ad Micro | | | | 176 | u43¾ | 43 | 43¾ | +⅞ |
| 17¾ | 4⅞ | Ad Micro P | 3.00 | 16.4 | 9 | 17993 | u18⅛ | 17⅞ | 18¼ | +⅜ |
| 5¼ | 2¼ | Advest Grp | 0.16 | 2.8 | 8 | 842 | u6 | 6½ | 5⅝ | -⅛ |
| 49⅝ | 31⅞ | Aetna Lf x | 2.76 | 6.4 | 6 | 3061 | 43½ | 42⅝ | 43 | -¼ |
| 10⅝ | 6⅝ | Ahll A x | 0.24 | 2.7 | 60 | 2879 | 8⅞ | 8½ | 8⅞ | +¼ |
| 20⅞ | 12 | Ahmanson | 0.88 | 5.1 | 11 | 2264 | 17½ | 16¾ | 17½ | +¼ |
| 20 | 2⅞ | Aileen Inc | | | 16 | 710 | 18⅝ | 17½ | 18⅝ | |
| 74⅛ | 51½ | Air Pr Chm x | 1.56 | 2.0 | 17 | 1810 | u77⅞ | 73⅞ | 77⅞ | +3½ |
| 30 | 18⅝ | Airbne Frt | 0.30 | 1.3 | 17 | 1209 | 24⅞ | 23⅝ | 23⅝ | -⅝ |
| 24½ | 12½ | Airgas Inc | | | 109 | 165 | 23½ | 22⅞ | 23 | -⅝ |
| 15¼ | 9 | Airlease x | 1.68 | 19.5 | 5 | 253 | 8⅝ | d8⅛ | 8⅝ | +⅛ |
| 101 | 88¼ | AlaPw8.16 | 8.16 | 8.1 | | 2 | 100½ | 99½ | 100½ | |
| 26¼ | 21⅜ | AlaPw PfA | 2.00 | 8.0 | | 11 | u26⅛ | 25⅞ | 25⅞ | |

[illegible]

| 1991 High | 1991 Low | Stock |
|---|---|---|
| 30 | 22⅞ | BRE Prop |
| 44⅝ | 24⅝ | Briggs & S |
| 37⅞ | 24½ | Brinkerinl |
| 89⅞ | 61¼ | Bristol M x |
| 44⅝ | 24½ | Brit Airwy |
| 51⅞ | 39 | Brit Gas |
| 77½ | 61⅞ | BP ADR |
| 32⅝ | 25⅝ | BP Prudhoe |
| 8⅛ | 1¼ | BP Wts |
| 27⅞ | 11¼ | Brit Steel |
| 74 | 61¼ | Brit Tel x |
| 19⅞ | 4⅝ | Broad Inc |
| 33⅛ | 27½ | BrklnPld |
| 31¼ | 27 | Brooklyn U |
| 84½ | 69 | BrwnForman |
| 28⅝ | 21⅝ | Brown Gp |
| 12⅝ | 6⅞ | Brown&Shrp |
| 30⅞ | 16⅞ | Browning F |
| 4⅛ | 1⅜ | BRT |
| 16⅝ | 8⅝ | Brunswick |
| 20 | 9½ | Brush Wel |
| 28¼ | 25⅝ | Buckeye P |
| 18½ | 13 | Bunker Hl x |
| 13¾ | 10¼ | Burger K I |
| 21⅝ | 8⅝ | Burl Coat |
| 41⅞ | 28¼ | Burl North |
| 43¼ | 32⅞ | Burln Res |
| 16 | 11¼ | Burnham P |

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

[illegible]

Continued on next page

# NYSE COMPOSITE PRICES

Continued from previous page

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Sales figures are unofficial. Yearly highs and lows currently reflect the whole of 1991. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Owing to technical problems, some North American and Canadian prices in last Friday's edition were pre-close.

# AMEX COMPOSITE PRICES

4:00 pm prices January 3

# NASDAQ NATIONAL MARKET

4:00 pm prices January 3

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -


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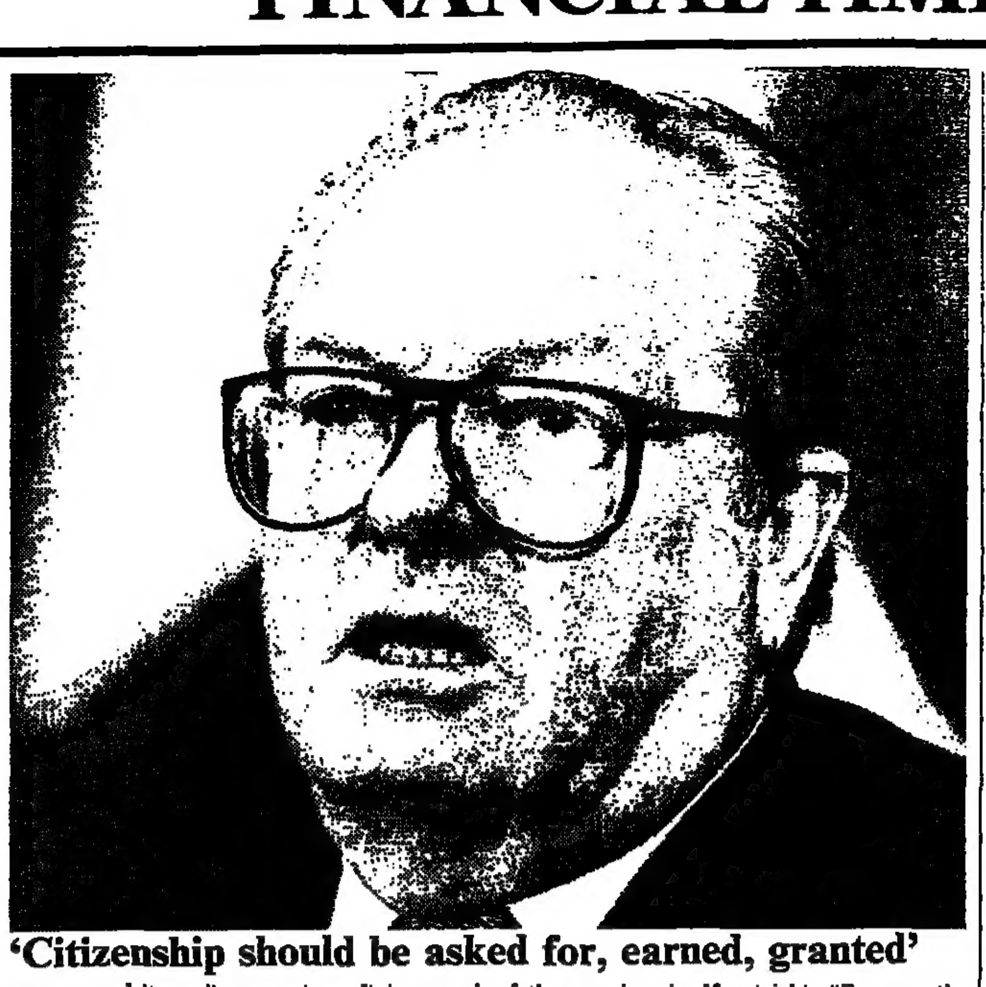
*MONDAY INTERVIEW*

# Militant beneath the bourgeois

## Jean-Marie Le Pen, leader of the Front National, speaks to **Ian Davidson** and **William Dawkins**



**'Citizenship should be asked for, earned, granted'**

A large pair of blackamoor figures, bearing candelabra lampstands, take pride of place in the sitting room of Mr Jean-Marie Le Pen, *the one-eyed ex-paratrooper* who runs France's Front National (FN).

They strike an ironic note, given the anti-immigrant policies of Mr Le Pen, president of Europe's largest extreme right-wing political party. But then everything about Mr Le Pen's comfortably bourgeois image, from his dark suits to his smoothly persuasive speech, contrasts with the content of his policies, which were condemned recently as an "enemy of democracy" by Mrs Edith Cresson, the prime minister.

Mr Le Pen runs his party – which he denies is extreme right wing – from a large and rambling second empire villa in an exclusive suburban enclave on the hills of St Cloud, looking out on a fine north-easterly view of Paris.

Mr Le Pen did unexpectedly well in the 1988 presidential elections, with more than 14 per cent of the vote. His party – especially strong in the south-east of France and in areas with a large migrant population – looks like doing even better in next March's regional election, in which Mr Le Pen claims that the FN will secure more than 20 per cent of the vote. "If the establishment had solved the problems facing the people, the people would feel content and would vote for the establishment," he says.

Indeed, Mr Le Pen seems to be so successful in his campaign to mobilise both the anti-immigrant and protest votes, that the traditional conservative parties have started to move sharply to the right in his wake. Central to his platform are anti-immigrant themes, similar to those pushed by like minded parties across Europe, such as Vlaams Blok, the Flemish nationalist party in Belgium and the neo-Nazi movement in Germany. Yet Mr Le Pen denies being a racist or xenophobe.

Mr Le Pen is a large, fair-haired man, who was born in Britanny, where his father was a fishing skipper. Upstairs, in Mr Le Pen's comfortable study, reminders of his Breton origins are everywhere.

The bookshelves are crowded with naval memorabilia, including models of a three-masted sailing ship and an Arab dhow. There is an outsize pair of coastguard binoculars on a tripod, which could be pointing in the direction of the presidential Elysée palace.

On the mantlepiece are two handbound red volumes recording the many libel suits Mr Le Pen has fought and won. He has also lost some, and last year paid FFr1.4m (£143,000) *damages and costs – a record* in France – to groups representing concentration camp survivors and descendants, for having publicly dismissed the Nazi gas chambers as "a detail of history".

In the rough and tumble of his early political career, which started in the 1950s with the Poujadists, the populist shopkeepers' party founded by Pierre Poujade, Mr Le Pen used to sport a black eye patch and khaki fatigues. Today, the military look has been discarded and Mr Le Pen projects an image of comfortable civilian respectability.

Discoursing easily, with grandiose Gallic gestures, he attributes the FN's appeal to the crises of joblessness, industrial decline and urban violence, but above all to immigration. Mainstream parties have failed to tackle France's ills, he argues.

"Objectively, things are not all right in a country where you have 4m real unemployed, for to the 2.9m officially unemployed, you must add 1.1m who find themselves without productive work, in various traineeships, passing from an apprenticeship in knitting to an apprenticeship in English.

"Four million immigrants, 6m, no-one knows within a million. Their presence is felt in a negative way by the French because it is one of the causes of unemployment, but also of insecurity and more generally, of urban overpopulation, of the Babelisation of schools, and of the social security deficit." He puts the cost of immigration at FFr250bn and the cost of unemployment at FFr300bn, without indicating where these figures come from or what they mean.

Mr Le Pen's argument rambles on hypnotically, taking emotional rather than logical turns. The immigration burden has contributed to an economic decline, he repeats. "One sees clearly that whole sectors of the economy have collapsed in our country; factories have been closed one after the other; the mines, steel, metal working, shipyards, the merchant navy, port traffic have all disappeared. Now electronics and office equipment are in collapse; tomorrow cars and aerospace will be under threat. The building industry is in trouble.

"The Socialist government *has said for several years:* 'don't worry, the recovery will come from the US'. Well and good, let's wait. Then it doesn't come – and it won't come, at least not tomorrow. What is going well, and advancing with giant strides, is the most terrible scourge of all time: Aids. Your compatriot, Jimmy Goldsmith, by the way shares my conviction that this is the most important phenomenon of the millennium – so important that perhaps there will not be another. There is also the exponential growth of drugs."

He returns to immigration – Mr Le Pen's main stock in trade. "We do not want to allow ourselves to be submerged by foreign immigration. It is clear that France is not a country of immigration,"

**PERSONAL FILE**

**1928** Born in La Trinité-sur-Mer, Brittany. Educated Lycée de Lorient; Paris Law School – Bachelor of Law and diploma in political sciences.
**1954** Paratrooper in Indochina.
**1956-62** Member of the French Assembly.
**1972-** President of the Front National.
**1984-** Member of the European Parliament.
**1986-88** Member of the French Assembly.

he argues, meaning that France has never been accustomed to accept large numbers of arrivals.

He goes on: "We will undertake before the people to reverse the flow of immigration. That is to say we will organise the return to their own countries, in the most positive manner possible, those foreigners whom France neither needs nor wants."

In another proposal to reverse the immigrant flow, Mr Le Pen would tighten France's nationality laws, so that citizenship could only be inherited from a French parent, or acquired by naturalisation. This would have to be "asked for, earned and granted". He would thus revoke the right to citizenship which comes from being born in France.

It is a mark of the way in which the respectable French right has swung behind the FN on immigration that former President Mr Valéry Giscard d'Estaing, now leader of the centre-right UDF group, advocates a policy on French nationality law – both on parentage and naturalisation – similar to that of Mr Le Pen.

Mr Le Pen's claim that France is not a country of immigration does not square with the historical facts. The proportion of immigrants to the whole population – roughly 6 per cent – is broadly what it was between the wars and at the end of the last century; many of these earlier generations of immigrants became French. As a result, according to a recent calculation by Insee, the national statistical office, there are probably about 14m people in France who are either immigrants or have immigrant parents or grandparents; and 10m of them have French nationality.

Whatever the actual number, Mr Le Pen claims that most of the immigrants in France have no right to stay because they entered the country illegally as a result of the laxity or complicity of successive governments over the years. There are 4.1m immigrants in France, of whom 1.3m have French nationality, say the latest official estimates. There are also believed to be significant numbers of illegal immigrants, for which there are, of course, no official statistics; a recent estimate puts the number in the Paris region at 200,000.

Mr Le Pen's other stock in trade is defence of national sovereignty against the growing integration of the European Community. He lost his seat in the French national assembly in 1988, but has kept his seat in the European Parliament, as leader of the ultra-nationalist European Rights Group.

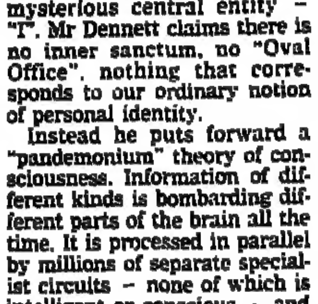
He indignantly rejects President François Mitterrand's *aspirations for a federal future* in Europe, and in the name of the nation state denounces the agreements recently concluded in Maastricht. "For me, the Socialist federal Europe, which I call the *Europe of federasts*, is a double perversity.

"The federal Europe which *Maastricht is preparing for us* in a sly and undemocratic manner, would perhaps have been a good idea in the middle of the 19th century. Today it is an undertaking which is obviously obsolete and absurd, since the two big world empires are in the process of breaking up."

He argues that it is easier to join a federation than to leave, and cites the case of Yugoslavia. "The Europeans are obviously in disagreement over any issue of foreign policy," says Mr Le Pen, "and their divergences can only get worse".

On a recent visit to London he was heckled by left-wing demonstrators. But Mr Le Pen claims that he encountered many expressions of sympathy – and fellow feeling – from the British. He thought that a party like his would do well there, if it were not for the "castrating" electoral system in Britain; and he confesses to feeling quite close to Mrs Thatcher.

# Your mind is but a pandemonium



**MICHAEL PROWSE**
on America

I am regularly transported by works of philosophy. This Christmas, the good deed was performed by Consciousness Explained,* the effervescent latest offering from Daniel Dennett, the American philosopher of mind. Within a few pages I was once again questioning the world's priorities. Why do we spend such an inordinate time analysing trivia such as elections, recessions and bank frauds *while virtually ignoring the* fantastic philosophical mysteries of human life?

Consciousness may seem as untroubling a concept as rain or money: it is what happens when you wake up each morning. The difficulty lies in finding a place for it in a scientific description of the world. Most of us are unthinking materialists. Without fully comprehending the intricacies of modern physics, we believe the world is composed of particles of some kind – particles that if split will unleash huge amounts of energy. We believe in science because it works: it conquers diseases, builds bridges and puts men on the moon.

But now consider your own inner mental life. Imagine a beautiful sunset. How is this image consistent with the objective world of science? How could a collection of particles – or anything physical – constitute a mental image of a sunset? And where, indeed, does that image reside? It is not literally in our heads: it could not be found by a brain surgeon. Yet neither is it in the external physical world.

Descartes proposed a famous solution: dualism. The world consists of two types of substance: physical objects (including our brains), and minds. He even speculated that the pineal gland in the brain provides a direct link to the non-physical mind. But dualism seems a hopelessly flawed theory. How can non-physical thoughts gain any purchase on the physical world? They are not streams of sub-atomic particles or anything else physical, so how can they influence brain cells? It is like expecting a shadow to lift a weight.

Believing they could not doubt their inner mental lives, Schopenhauer and other German idealists took one logical route: they denied the reality of the physical world. Most of us are not prepared to make that bold leap: hence the vexed search for a physical explanation of consciousness.

In Consciousness Explained, Mr Dennett argues that Cartesian dualism, although discredited, has left an unfortunate legacy: we no longer believe the pineal gland is a "fax machine to the soul" but we have unconsciously absorbed Descartes's assumption that perceptual information is ordered and processed by a mysterious central entity – "I". Mr Dennett claims there is no inner sanctum, no "Oval Office", nothing that corresponds to our ordinary notion of personal identity.

Instead he puts forward a "pandemonium" theory of consciousness. Information of different kinds is bombarding different parts of the brain all the time. It is processed in parallel by millions of separate specialist circuits – none of which is intelligent or conscious – and subject to continual revision. The circuits dealing with words he calls "language demons". But evolution has thrown up hosts of others, such as our automatic tendency to duck when objects loom before our eyes. What we think of as consciousness is the product of "competition among the many concurrent contentful events in the brain". He contrasts this view of consciousness as a democratic society of competing perceptual agents with Descartes's "bureaucratic model" of a central processor – the mysterious soul – controlling every thing.

Mr Dennett admits his theory is little more than a suggestive sketch. But it has the virtue of actually trying to explain something. Positing a soul or central agency merely avoids the difficult questions: how is IT able to function as a conscious agent? Mr Dennett's pandemonium model rings true to personal experience. When I write – or think – I find ideas and images bubbling up in an uncontrollable fashion exactly as he suggests. It helps explain how we can answer questions without planning what we are going to say. Writing in 1739, David Hume, the Scottish philosopher, put it thus: "For my part, when I enter most intimately into what I call myself, I always stumble on some particular perception or other ... I never can catch myself at any time without a perception, and I can never observe anything but the perception ..."

You may think something is missing. How can a heap of circuitry be conscious of itself? *Mr Dennett's answer is that* the individual bits of the brain, built to perceive the external world, cannot help "perceiving" each other: hence our confused image of our own identity. It follows that a sufficiently complex computer could be as conscious as you or I. Mr Dennett *is* unruffled by this thought: if you are already a materialist and thus accept that flesh and blood can be conscious, why should you baulk at a conscious heap of silicon?

I find Mr Dennett's theories about personal identity stimulating, if not entirely comprehensible. But I am less certain the book justifies its title. Go back to the mental image of a sunset. How can this really have a physical explanation? Mr Dennett's answer is that an explanation is valid only if it goes beyond the thing to be explained. Thus a proper theory of consciousness should not allude to mental images. I remain mystified and intend to make matters worse by listening to Beethoven's Ninth Symphony – surely not a collection of sub-atomic particles.

**Published by Little, Brown in New York*

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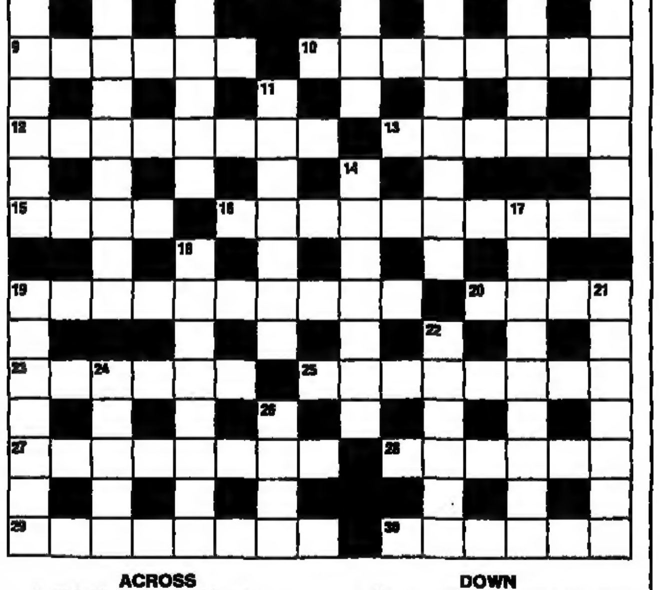
JOTTER PAD

## CROSSWORD

No.7,739 Set by DANTE



**ACROSS**

1 Shield made of hide (6)
4 Buttons said to represent danger to sailors (4,4)
9 Agree one is about a month in arrears (6)
10 Every plot, by the way, will have one (8)
12 Island off the Needles? (8)
13 Threaten one politician with death (6)
15 Speed charge (4)
16 NE port – part is to come down (10)
19 Like an astronaut returning – or failing to get lift-off? (5-5)
20 Become wedged, we hear, in the doorway (4)
23 Companion of an American star (6)
25 As an afterthought, changes the books (8)
27 Can turn to a forerunner of poll-tax to make land more productive (8)
28 It may commemorate what's found in the foul-mouthed (6)
29 Girl holds chap back in Denmark (8)
30 Stop – I'm getting deep in trouble (6)

**DOWN**

1 Brag about scrambled raw eggs (7)
2 Novel character we meet in Kent (9)
3 Close to a conclusion (6)
5 Lear deranged and demoted (4)
6 Countryman may help you when lost (8)
7 Practice to which America, for example, reverts (5)
8 Abandoned, but bore fruit (7)
11 Determined to attack (3,4)
14 Eccentricity of uneven quality (7)
17 Ballet posture of Lincoln in square dance (9)
18 Parson takes tea without milk or sugar (8)
19 The heart of a German city church (7)
21 Invest capital, perhaps? (7)
22 In which one goes downhill fast in a dodgy way (6)
24 Tries new form of worship (5)
26 Beast of burden? (4)

**The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 18.**

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 05.01.92: Pool purchase price £/MWh | Final Prices for Trading on 06.12.91: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 17.18 | 16.61 | 16.61 |
| 0100 | 21.52 | 25.49 | 27.35 |
| 0130 | 28.00 | 25.49 | 27.34 |
| 0200 | 28.00 | 25.49 | 27.31 |
| 0230 | 18.81 | 21.20 | 22.88 |
| 0300 | 18.81 | 18.91 | 20.53 |
| 0330 | 18.74 | 18.47 | 20.09 |
| 0400 | 18.74 | 16.57 | 16.57 |
| 0430 | 17.13 | 16.48 | 16.48 |
| 0500 | 17.11 | 16.46 | 16.46 |
| 0530 | 17.11 | 16.44 | 16.44 |
| 0600 | 17.10 | 16.42 | 16.42 |
| 0630 | 17.10 | 16.44 | 16.44 |
| 0700 | 17.10 | 16.44 | 16.44 |
| 0730 | 17.10 | 16.44 | 16.44 |
| 0800 | 17.10 | 16.44 | 16.44 |
| 0830 | 17.10 | 16.44 | 16.44 |
| 0900 | 17.09 | 16.52 | 16.52 |
| 0930 | 18.35 | 18.36 | 20.00 |
| 1000 | 18.29 | 17.81 | 18.43 |
| 1030 | 18.49 | 19.01 | 20.87 |
| 1100 | 19.09 | 18.89 | 20.55 |
| 1130 | 18.87 | 19.78 | 21.48 |
| 1200 | 19.86 | 22.18 | 23.35 |
| 1230 | 22.86 | 30.14 | 32.21 |
| 1300 | 22.86 | 30.14 | 32.19 |
| 1330 | 19.43 | 30.14 | 32.17 |
| 1400 | 18.87 | 19.01 | 20.88 |
| 1430 | 17.13 | 16.54 | 16.54 |
| 1500 | 17.11 | 16.50 | 16.50 |
| 1530 | 17.11 | 16.52 | 16.52 |
| 1600 | 17.15 | 16.65 | 16.65 |
| 1630 | 19.09 | 21.10 | 22.81 |
| 1700 | 18.52 | 21.10 | 22.80 |
| 1730 | 20.33 | 29.21 | 31.16 |
| 1800 | 22.32 | 29.21 | 31.16 |
| 1830 | 21.05 | 29.21 | 31.16 |
| 1900 | 22.32 | 22.48 | 24.23 |
| 1930 | 22.32 | 22.48 | 24.20 |
| 2000 | 21.05 | 21.63 | 23.31 |
| 2030 | 20.11 | 19.91 | 21.56 |
| 2100 | 19.52 | 19.53 | 21.16 |
| 2130 | 19.52 | 19.01 | 20.63 |
| 2200 | 19.34 | 18.65 | 20.26 |
| 2230 | 18.87 | 18.01 | 19.61 |
| 2300 | 17.13 | 16.52 | 16.52 |
| 2330 | 17.10 | 16.46 | 16.46 |
| 2400 | 17.10 | 16.44 | 16.44 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on [illegible]: Pool purchase price £/MWh | Final Prices for Trading on [illegible]: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 17.18 | 16.57 | 16.67 |
| 0100 | 19.00 | 19.01 | 20.90 |
| 0130 | 21.25 | 18.89 | 20.78 |
| 0200 | 21.25 | 19.01 | 20.88 |
| 0230 | 18.09 | 18.79 | 20.66 |
| 0300 | 18.84 | 18.79 | 20.66 |
| 0330 | 17.18 | 18.62 | 18.62 |
| 0400 | 17.13 | 18.54 | 18.54 |
| 0430 | 17.11 | 18.52 | 18.52 |
| 0500 | 17.11 | 18.48 | 18.48 |
| 0530 | 17.08 | 18.00 | 18.00 |
| 0600 | 17.06 | 18.00 | 18.00 |
| 0630 | 17.12 | 18.00 | 18.00 |
| 0700 | 17.18 | 18.49 | 20.37 |
| 0730 | 17.25 | 20.47 | 22.41 |
| 0800 | 19.38 | 28.10 | 38.29 |
| 0830 | 18.54 | 33.90 | 36.50 |
| 0900 | 18.54 | 34.22 | 36.69 |
| 0930 | 19.87 | 34.23 | 38.89 |
| 1000 | 28.29 | 34.13 | 36.58 |
| 1030 | 28.29 | 28.52 | 28.62 |
| 1100 | 20.43 | 21.34 | 21.34 |
| 1130 | 19.87 | 23.98 | 28.08 |
| 1200 | 18.58 | 23.98 | 28.08 |
| 1230 | 19.87 | 23.89 | 25.95 |
| 1300 | 19.87 | 23.79 | 28.90 |
| 1330 | 17.42 | 18.12 | 18.72 |
| 1400 | 17.40 | 18.01 | 18.01 |
| 1430 | 17.40 | 18.01 | 18.01 |
| 1500 | 17.40 | 18.02 | 18.02 |
| 1530 | 17.42 | 18.29 | 18.29 |
| 1600 | 20.67 | 34.88 | 40.78 |
| 1630 | 24.48 | 102.40 | 121.19 |
| 1700 | 34.10 | 168.28 | 193.30 |
| 1730 | 38.54 | 169.46 | 182.43 |
| 1800 | 34.01 | 108.25 | 123.95 |
| 1830 | 28.88 | 46.48 | 52.37 |
| 1900 | 21.56 | 29.44 | 32.35 |
| 1930 | 21.33 | 22.11 | 24.25 |
| 2000 | 20.78 | 21.37 | 23.32 |
| 2030 | 20.14 | 20.56 | 22.44 |
| 2100 | 19.56 | 20.56 | 22.43 |
| 2130 | 19.54 | 20.44 | 22.32 |
| 2200 | 19.54 | 20.11 | 21.89 |
| 2230 | 19.41 | 20.11 | 22.00 |
| 2300 | 17.16 | 18.00 | 18.00 |
| 2330 | 17.11 | 18.00 | 18.00 |
| 2400 | 17.10 | 18.00 | 18.00 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 10.5 | Credit Lyonnais | 10.5 | McDonnell Douglas Bnk | 10.5 |
| Allied Trust Bank | 10.5 | Cyprus Popular Bk | 10.5 | Midland Bank | 10.5 |
| AIB Bank | 10.5 | Dunbar Bank PLC | 10.5 | Mount Banking | 10.5 |
| ● Henry Ansbacher | 10.5 | Duncan Lawrie | 10.5 | NatWestminster | 10.5 |
| B & C Merchant Bank | 10.5 | Equatorial Bank plc | 10.5 | Northern Bank Ltd | 10.5 |
| Bank of Baroda | 10.5 | Exeter Bank Limited | 11 | Nykredit Mortgage Bank | 11 |
| Banco Bilbao Vizcaya | 10.5 | Financial & Gen Bank | 11 | Provincial Bank PLC | 14 |
| Bank of Cyprus | 10.5 | First National Bank Plc | 14 | Roxburghe Bank Ltd | 11.5 |
| Bank of Ireland | 10.5 | ● Robert Fleming & Co | 10.5 | Royal Bk of Scotland | 10.5 |
| Bank of India | 10.5 | Robert Fraser & Ptnrs | 11 | ● Smith & Williamson Secs | 10.5 |
| Bank of Scotland | 10.5 | Girobank | 10.5 | Standard Chartered | 10.5 |
| Banque Belge Ltd | 10.5 | ● Guinness Mahon | 10.5 | TSB | 10.5 |
| Barclays Bank | 10.5 | ● Hambros Bank | 10.5 | Unibank plc | 10.5 |
| Benchmark Bank | 11 | Hampshire Trust Plc | 13.5 | ● United Bk of Kuwait | 10.5 |
| Brit Bk of Mid East | 10.5 | Heritable & Gen Inv Bnk | 10.5 | Unity Trust Bank Plc | 13.5 |
| ● Brown Shipley | 10.5 | ● Hill Samuel | 10.5 | Western Trust | 10.5 |
| CL Bank Nederland | 10.5 | C. Hoare & Co | 10.5 | Westpac Bank Corp | 10.5 |
| Citibank NA | 10.5 | Hongkong & Shanghai | 10.5 | Whiteaway Laidlaw | 10.5 |
| City Merchants Bank | 10.5 | Julian Hodge Bank | 10.5 | Yorkshire Bank | 10.5 |
| Clydesdale Bank | 10.5 | ● Leopold Joseph & Sons | 10.5 | ● Members of British Merchant Banking & Securities Houses Association | |
| Co-operative Bank | 10.5 | Lloyds Bank | 10.5 | | |
| Coutts & Co | 10.5 | Meghraj Bank Ltd | 10.5 | | |

# No harm in wishful thinking

**IAN DAVIDSON**
on Europe

When the European heads of government undertook, at their summit in Maastricht last month, to develop a common foreign and security policy, many people sniggered incredulously. The programme for Economic and Monetary Union might be over-ambitious, but at least the target was definable. A common foreign policy, by contrast, is impossible to define in advance, and its development is wholly contingent on unpredictable events.

Moreover, the objective seemed at variance with the national interests or historic reflexes of the member states. They had been at odds over the Gulf war, and they were still at odds over the recognition of Croatia.

And yet the 12 proceeded almost immediately to adopt a common doctrine of the principles which would in future govern their recognition of foreign states. It is particularly surprising because these principles are quite different from those normally applied.

Western governments have in the past tended to treat recognition as a factual, rather than as a moral question. A state which appears to be reliably in control of pretty well all its territory, within recognised borders, can normally expect to be recognised by other governments. It may be a nice state or it may be nasty, but it exists; it is a fact.

*By contrast, the new Community* doctrine lays down five political/moral preconditions for recognition: observance of the UN Charter and the Helsinki Final Act; guarantees of the rights of ethnic and national minorities; respect for national frontiers; acceptance *of existing commitments on* disarmament and non-proliferation; and a commitment to settle by negotiation the problems of successor states or regional differences.

This new doctrine can be explained on two levels. First, the French wanted to restrain German impatience to recognise Croatia, or at least to clothe it in a general policy. Second, Yugoslavia was seen as a portent of the disintegration of the Soviet Union. This would spawn new countries, and the 12 needed to agree some principles for responding to the situation.

In principle, all European countries are already committed, through the Helsinki process, to certain standards of civilised behaviour. The Community is entitled to point this out, therefore, at a time when a dozen new countries are reaching for state-hood.

*But the doctrine contains a* most extraordinarily ambitious hidden agenda, for it implies an intention to follow through with some form of intervention if the conditions are not met.

Let us suppose that Ukraine, for example, fails to satisfy the Community's five conditions. *There are then two options.* The first is that the 12 will refuse to acknowledge Ukraine's existence. The second is that the 12 will try to persuade, or compel, it to meet the conditions.

The first option is obviously absurd. In theory, the Community could ignore Montenegro; it could not conceivably ignore Ukraine with more than 50m inhabitants, a seat in the UN, and quite possibly a large nuclear arsenal as well.

The inference must be that the Community would be prepared to exert pressure on Ukraine to compel it to meet the conditions; but if moral suasion, the withholding of aid, or a trade embargo failed to do the trick, what then?

It is obvious that none of the five principles is being observed in Yugoslavia. This is not preventing German, and later general Community, recognition of Croatia and Slovenia. Yet the inconsistency is not necessarily fatal for the purposes of the Community doctrine, because the real test of whether the 12 mean what they say will come with the ex-Soviet Union.

The critical question is that of arms control. The commonsense interpretation of the Community's new doctrine, is that the newly-independent republics must take over the obligations of the former Soviet Union to reduce the level of conventional and strategic nuclear weapons under *the CFE and Start treaties.*

We do not yet know if the new Republics want to carry out these arms control agreements, because their attention is focused much more on each other than on the west. Ukrainian leaders have made ambivalent and contradictory state*ments about the nuclear* weapons on their territory; but statements made in the context of inter-republic bargaining in the formation of the new Commonwealth do not necessarily imply settled long-term objectives.

In fact, the new republics almost certainly cannot take over the Soviet Union's arms control commitments, legally, politically or physically.

The Start and CFE treaties were not ratified by the Soviet Union; therefore, they cannot be taken over by the republics. On the other hand, the Non-Proliferation Treaty was ratified; so perhaps all the Republics are legally nuclear weapons states.

Conventional arms control is just as difficult, because the geographic zones agreed in the CFE treaty were only valid for the Soviet Union. They are manifestly inapplicable to the new situation, because the territorial areas do not correspond with national frontiers, let alone with national ambitions.

If Start and CFE have no legal force, the rest of the world has two options: hope that the republics agree terms between themselves which we can live with; or demand a negotiation of new treaties. Neither option looks promising until there is real stability in the east; and that may take years.

It looks, therefore, as though there may be a quite unusually large dose of wishful thinking in the Community's five principles. This is not a condemnation of the principles; on the contrary, the Community today, like the US 200 years ago, must be built on principles. But we need to remember that a common foreign policy *will not be built in a day.*